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Shannon Michelle Cormier

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The Dissertation Committee for Shannon Michelle Cormier
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**BUSINESS INCUBATION IN INNER-CITY EMERGING MARKETS
AS AN ECONOMIC DEVELOPMENT TOOL**

Committee:

John Sibley Butler, Supervisor

Christopher Ellison

Robert Hummer

Arthur Sakamoto

Juliet E. K. Walker

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AS AN ECONOMIC DEVELOPMENT TOOL**

by

Shannon Michelle Cormier, B.A., M.A.

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To my late father, Ezekiel Cormier, Sr.,
and to my two mentoring powerhouses,
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Dr. Dana Carson and Dr. John Sibley Butler.

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BUSINESS INCUBATION IN INNER-CITY EMERGING MARKETS

AS AN ECONOMIC DEVELOPMENT TOOL

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Supervisor: John Sibley Butler

An examination of business incubator leaders in disadvantaged urban areas is conducted in order to assess the effectiveness of the organizational models, program structures, and best practices of each of these incubator organizations. Advice from these experts as well as their respective lists of common challenges is also examined. In general, business incubators whose driving mission is to revitalize their respective disadvantaged areas through the development of wealth-creating business enterprise are not effectively incubating businesses, and thus, the community is not receiving a maximum return on its investment into these programs. Consistent with the Centralization of Communications Theory, the incubator organizations possess the potential to efficiently assist entrepreneurs in achieving the common goal of successful business enterprise. However, in many cases, the incubators lack the

leadership, vision, and knowledge of the industry and the market to realize this potential. As an effect, rather than incubating business owners, these organizations have increasingly become nothing more than tenant-landlord relationships.

Table of Contents

CHAPTER 1: The Centralization of Communications.....	1
CHAPTER 2: Removing Barriers to Black Business Ownership.....	6
CHAPTER 3: Business Incubation in the United States.....	11
CHAPTER 4: “Empowerment” Business Incubators.....	48
CHAPTER 5: The Context of the Problem.....	54
CHAPTER 6: The Necessary Solution: Business Incubation.....	65
CHAPTER 7: Methods.....	93
CHAPTER 8: Results and Analysis.....	108
CHAPTER 9: Discussion	140
CHAPTER 10: Conclusion and Policy Recommendations.....	178
APPENDIX 1: Data from First AME Business Incubator.....	209
APPENDIX 2: Data from South DeKalb Business Incubator.....	230
APPENDIX 3: Data from The Entrepreneurial Center.....	248
APPENDIX 4: Data from EmPOWERment.....	264
APPENDIX 5: Data from ShoreBank Enterprise Center.....	281
APPENDIX 6: Data from Oregon Assoc. of Minority Entrepreneurs.....	301
APPENDIX 7: Data from West Philadelphia Enterprise Center.....	323
APPENDIX 8: Community Incubators in North America.....	343
APPENDIX 9: Entrepreneurial Support for Minorities.....	345

APPENDIX 10: Resources for Entrepreneurs.....	346
APPENDIX 11: First Contact Form.....	347
APPENDIX 12: Letter of Introduction to Incubator.....	348
APPENDIX 13: Data Collection Form.....	349
REFERENCES.....	357
VITA.....	363

List of Tables

Table 1. Resources and Services for Incubator Clients.....	31
Table 2. Black-owned Firms in the United States, 1982-1997.....	77
Table 3. Top Wealth-Creating Assets in the Black Community, 1984-2000.....	78
Table 4. Adapted Incubator Research Design for Data Collection.....	98
Table 5. Adapted Incubator Research Design for Data Analysis.....	99
Table 6. Adapted Incubator Research Design for Discussion and Conclusion...	100
Table 7. Ten Key Variables for Incubator Effectiveness.....	117
Table 8. Facility Size and Client / Technical Assistance Coach Ratios.....	120
Table 9. Results of Incubator Performance According to Ten Key Variables...	125

CHAPTER 1

The Centralization of Communications

The costs and benefits of creating organizations are evident when organizations are compared with alternative social forms for carrying on complex work (Scott, 1998). The utility of an organization in many cases outweighs the efficiency and productivity of individual task accomplishment when complex operations need to be executed. According to Parsons (1960), “The development of organizations is the principal mechanism by which, in a highly differentiated society, it is possible to ‘get things done,’ to achieve goals beyond the reach of the individual.” Thus, when one weighs the benefits of pursuing a multifaceted set of objectives on his/her own vs. developing an organization to undertake such pursuits, the wiser, more efficient choice would be to form or become a part of an organization.

A number of researchers have conducted detailed analyses on the origins of organizations and their characteristics over time. Whereas organizations emerged having a communal form based on the bonds of kinship and personal ties, with time, the organization as we know it became to be characterized more by associative forms based on contractual arrangements among individuals having no ties other than a willingness to pursue shared interests or ends (Scott, 1998; Starr, 1982). Nothing unifies a group of diverse individuals like the pursuit of common goals or interests. No doubt that one part of this phenomenon is selfish, as each eventually realizes how

the synergy created within a group pursuing a common goal can benefit himself or herself. Each will embrace the challenge nonetheless, recognizing that if the group works as a unified front, sharing resources, ideas, and strengths, they will accomplish their common goal in less time and with more efficiency than if each had worked alone. In essence, they recognize that two are more efficient than one, and many may be more efficient than two.

Efficiency rules the game. For example, one of the most prominent rational systems explanations of the origin of organizations is that of efficient information processing. This explanation for the emergence of organizations centers on its superior efficiency in managing flows of information, resulting in a centralized communication system. Early research on communication structures examined the effects of centralized vs. decentralized communications networks on the task performance of groups. These and other research studies consistently report results revealing that groups working in a more centralized structure are more efficient in their performance (Scott, 1998).

Vroom (1969), a leading researcher in this area accounts for these findings with the following explanation: “The centralized structures more rapidly organize to solve the problems. Participants in peripheral positions send information to the center of the network, where a decision is made and sent out to the periphery. Furthermore, this pattern of organization tends to be highly stable once developed. In less centralized structures, the organization problem is more difficult and observed

interaction patterns are less stable, as well as less efficient” (p. 242). There is a cliché that says, “time is money.” This also holds true in the case of decentralized organizations, as efficiency is almost certain to translate into lost dollars. This reasoning holds as one defines efficiency in terms of the well-spent use of time and energy resources. Thus, if efficiency translates into time and time is not well-spent, since time translates directly into money, money is therefore not well spent (translation: lost). Thus, as easily as one can pronounce that time is money, the same can just as easily maintain that efficiency is money.

Arrow (1974) also makes a contribution to our understanding of the efficiency of group vs. individual communication structures: “Since transmission of information is costly, in the sense of using resources, especially the time of individuals, it is cheaper and more efficient to transmit all the pieces of information once to a central place than to disseminate each of them to everyone” (p. 68). Once again, there is much to be said for the amount of resources that efficient systems and operations can conserve, and this can best be accomplished within the context of a centralized organization.

According to this rational theory, we can therefore determine that the formation of an organization is the best way to efficiently accomplish a defined set of common goals or interests, and that the pursuit of these goals and interests as an individual would demonstrate a lack of resourcefulness and jeopardize the likelihood of accomplishing a goal or achieving a certain outcome. Especially when these goals

and interests are heavily reliant upon the gathering of information and resources through certain communicative means, a more centralized, resource-efficient structure such as that of an organization is the more certain, reliable and effective means to obtain a desired product or meet a certain goal or objective.

In light of the Centralization of Communications theory, this project examines the efficiency of a specific type of organization, the formal business incubator, for business development within the disadvantaged urban area as an alternative to allowing the predominantly black entrepreneurs in these areas to pursue their small business dreams independently. Formal incubators, due to both the centralization of resources and the centralization of information that occurs within the organization offer an extremely effective support system to entrepreneurs, and this will consequently increase their odds for business success. Their success, then, contributes to both the economic and social development of the disadvantaged community in which they house their enterprises, to the benefit of all.

This research is designed to explore the use of formal business incubators as economic development tools in disadvantaged areas. First, I explore and assess currently existing incubator programs that have efficiently organized themselves to help these disadvantaged individuals pursue a common goal of becoming successful entrepreneurs. Next, I offer policy recommendations on why these organizations should be strategically placed within urban areas as economic development tools. Finally, I offer recommendations on how to increase the efficiency and effectiveness

of these business incubators for economic development specialists who might be in the process of examining the feasibility of placing such an organization in their own disadvantaged urban area.

Based on the tenets of the Centralization of Communications theory which promotes the benefits of co-location in an organization for effective goal pursuit, I hypothesize that incubator organizations in urban areas will exhibit an greater levels of efficiency in incubating a business than any level that its entrepreneurs would be attain to functioning independently of the incubation programs.

CHAPTER 2

Removing Barriers to Black Business Ownership

Socioeconomic disadvantage is a reality that dominates life for blacks throughout America. In fact, “Throughout the history of the United States, blacks have lagged behind white Americans on practically every accepted measure of socioeconomic well-being. This has been and continues to be true of all categories of African Americans, male and female, young and old, urban and rural, married and single, and in every geographical region of the country” (Barker, Jones and Tate, 1997, p. 33). For years, economic development specialists, sociologists, community activists and political reformists have attempted to address this disparity, promoting that the solution for many of the ills of the Black community lies in the development of small businesses to stimulate its economic and social development. Historically, the low level of black business ownership has been cited as both a cause and an effect of the unequal position of blacks in American life (Barker et al., 1999, p. 45). Efforts, however, to develop a small business class within these communities have ceased to manifest due to a lack of entrepreneurial training, blocked access to networks, and most importantly, lack of financial resources necessary to develop and maintain a business. In 1992, black firms comprised about 2.3 percent of all firms and accounted for slightly less than 1 percent of all business revenues. Between 1987 and 1992, the number of black firms with paid employees actually declined by 8 percent. Thus, while there are black firms in existence, they remain an

insignificant part of the economy as a whole (Barker et al., 1999, p. 45). Until policymakers acknowledge these deficiencies and put the proper support systems in place to nurture and develop small businesses, solutions centered upon enterprise formation in the Black community are futile.

Research has consistently supported that the best way to develop a lasting, successful small business is through the resourceful support system of business incubation. Formal business incubators are designed to provide a nurturing environment for start-up or existing businesses to grow and develop. These organizations are known to provide office or production space, business and technical assistance, access to capital, and support services that significantly increase the likelihood of survival for a small business. According to the National Business Incubator Association, 87 percent of all firms that graduated from their incubators are still in business (NBIA, 2000). Further, these incubators have proven themselves to be highly effective economic development tools, as when graduates leave the incubator, they “create jobs, revitalize neighborhoods, commercialize critical new technologies and strengthen local and national economies” (NBIA, 2002).

This research project will examine the formal business incubator concept and will deconstruct the systems, procedures, and make-ups of several incubators that serve minority populations in distressed urban areas in the United States in order to construct a list of recommendations for the implementation of urban business incubators that can be utilized in economic development zones nationwide. The

research design utilized to structure the data collection, analysis, and summary is an adaptation of a reverse design process that is growing increasingly popular in academic research. This design examines already existing products, assesses each of their component parts, and utilizes the only the best components from each product to innovate a new and improved product. This research will examine what underlying deficiencies exist within incubators that currently serve minority disadvantaged areas and will offer a set of recommendations that can be implemented to address these deficiencies to create a more workable, universal model of economic development for urban areas.

In Chapter 1, Centralization of Communications, I reviewed the theoretical foundation upon which the research will be based. The Centralization of Communications theory promotes the co-location of individuals trying to achieve a common goal and the centralization of information and resources which make the attainment of such goals more effective than pursuing these goals as an individual.

In Chapter 2, Removing Barriers to Black Business Ownership, I discuss the need to address the obstacles that hinder the growth and development of a strong black business class in the United States. The chapter highlights that the three greatest barriers to business success, not only for blacks but also for entrepreneurs as a whole, are entrepreneurial training, access to capital, and networking. I then offer that the formal business incubator may be the key to addressing each of these

barriers, and an incubator model that is designed to meet the needs of potential entrepreneurs in economically distressed, inner-city areas is a necessity.

Chapter 3, Business Incubation in the United States, gives the reader a comprehensive overview of the incubation industry, including how it began, what it entails, the benefits that are associated with business incubation, and how such organizations can impact a community's economy.

Next, with Chapter 4, I address the "Empowerment" Business Incubator, making clear my stance on the use of the term "empowerment" as it pertains to business incubation. I go on to discuss in general how this type of incubator can specifically address the economic and consequently the social needs of emerging inner-city markets.

Chapter 5 introduces a discussion of The Context of the Problem in which I define exactly why business development is needed in economically disadvantaged areas and what problems such a solution would need to address.

Then, Chapter 6 presents, The Necessary Solution: Business Incubation, which will offer specific recommendations of how business incubation programs can be created to alleviate many of the socioeconomic ills of disadvantaged areas.

Chapter 7 leads the reader to a review of the Methods utilized to collect the data for the research project, explaining in detail the reverse design process that was used as a foundation for the structuring of the research project.

Chapter 8, Results and Analysis, will give the reader an overview of the results of the qualitative data collected in seven different inner-city incubators. More detailed information for each incubator may be found in the Appendices.

Chapters 9 and 10 present Discussion and Conclusion and Policy Recommendations respectively, offering my assessment of the current state of incubators that serve disadvantaged areas and enumerating ways in which improvements can be made to this particular segment of the industry. Further, I offer a practical policy recommendation for the construction of business incubators in emerging inner-city markets, and I offer considerations based on advice from incubator experts to which developers should adhere when constructing such organizations for economic development—wealth creation through enterprise formation.

CHAPTER 3

Business Incubation in the United States

Business incubators are gaining widespread notoriety across the United States and the shores beyond as an effective and innovative economic development tool.

The incubator industry holds in high regard the National Business Incubator Association, which "...is the world's leading organization advancing business incubation and entrepreneurship. It provides thousands of professionals with the information, education, advocacy and networking resources to bring excellence to the process of assisting early-state companies" (NBIA, 2000). According to NBIA president and CEO Dinah Adkins, "Business incubators help entrepreneurs translate their ideas into sustainable businesses by guiding them through the maze of starting and growing a thriving business" (Knopp, 2001).

The Origin of the Business Incubator

While the development of the business incubator as a tool to ensure the success of new entrepreneurs through the provision of resources, networking and capital *would* have been a noble origin for such organizations, incubators originated for quite a different reason. In 1959, Charles Mancuso & Son, Inc. in Batavia, NY purchased a huge multistory 850,000 sq. foot building, previously owned by Johnston Harvester and later Massey Ferguson (which manufactured harvester combines) that also came with 30 acres of land. Though the prominent family owned a number of various local businesses, some family members wondered if this

latest acquisition was a wise investment. They had paid \$180,000 for the building, which had been vacant for a few years, and it was evident that it would require a considerable amount of renovation, especially with the massive roof that needed to be completely replaced. The family knew that they would need to invest much more to restore the facility before it could be utilized, and they selected Joseph Mancuso to assess their options concerning what to do with the new facility and to figure out how they might make a profit from their purchase (Burger, 1999).

Mancuso came up with what is considered today to be a revolutionary idea—he rented the building out to tenants, allowing each tenant to occupy as much space as he or she needed. He sought about to fill the building, hoping to find enough tenants to guarantee that the facility would reach an occupancy rate that would produce a profit for the family's investment. The first known tenant in the Batavia, NY building was a sign painter that took up only 2,000 square feet of the 850,000 available square feet. The first year of the building's operation, Mancuso only managed to secure 20 to 30 tenants who utilized approximately 90,000 square feet. The building was reportedly always on the verge of financial trouble, though it leased some of its available space as a warehouse and other spaces for service providers and a number of other types of businesses (Burger, 1999).

Thus, the first business incubator was born of economic necessity, though it allowed tenants of the building to share the expense of various office services. The idea soon caught on as more and more people became aware of Mancuso's

development strategy and its potential impact on economic development and job creation in their own communities. Implementing such a program established John Mancuso as the father of business incubators, and he is also credited with inventing the term “incubator.” In a newspaper interview, Mancuso comments, “I brought in a company from Connecticut that incubated chickens. I used to kid about it. I’d tell people we were incubating chickens. Pretty soon it was known as a business incubator. I didn’t set out to invent it” (Burger, 1999).

Today, the incubator, now called the Batavia Industrial Center boasts about 110 tenants. About 1,000 people work in the building, which is now run by John Mancuso’s three sons. The incubator does not function like what has evolved into what is considered a traditional incubator program, for though the center continues to encourage entrepreneurship and start-ups, anyone can lease space in the Batavia Industrial Center. Even further, they can stay as long as they want, for there is no graduation or exit policy. For this reason, some businesses have been in the incubator for more than 30 years.

Though Mancuso is considered the father of the business incubator, the first formal incubator to host an incubation program as we now know them to function, was established around 1980 at Renssealer Polytechnic Institute, an initiative of George Low who was to become the future president of Renssealer. The Renssealer program was revolutionary in that it endeavored to expose students to entrepreneurship in a laboratory setting, by playing such roles as bringing in guest

speakers to talk about how to start a business, by pairing students with local businesses in apprenticeship positions, and by linking student and faculty entrepreneurs to potential investors. Armed with such strong support resources, companies began to be launched by both students and faculty alike. Originally housed in space available on the Rensselaer campus, the school now occupies two incubator facilities that each offers 40,000 square feet of space. The Rensselaer incubator continues to successfully produce graduate companies for students, faculty, and community residents who desire to start their own business enterprises (Burger, 1999).

With the industry experiencing unprecedented growth, today, there are more than 1000 business incubators in North America, up from only 12 such organizations in 1980 (NBIA, 2002). According to Clark & Minor (2000), incubators originally appeared during the recession that occurred during the early 1980's when large corporations shut down, leaving behind empty plants and thousands of jobless residents. Further, they explain, "As small business incubators popped up, people began to see them as a means to alleviate economic distress by renovation and utilization of idle manufacturing buildings, generating income for investing parties and creating job opportunities" (Clark and Minor, 2000). The average incubator was established in 1991, and one new incubator opens up in the United States every week (NBIA, 2002). Over time, however, more has grown than the number of incubators. Like their numbers, incubator budgets have steadily climbed in addition to the

numbers of client companies and graduates. 8,000 small start-up firms currently reside in incubators, and more than 4,500 existing businesses have graduated from these programs. Incubator organizations are offering more services to clients as well as more specialized ones. According to the NBIA's 1998 State of the Business Incubation Industry study, incubators in North America have added 19,000 companies and more than 245,000 jobs to the economy (NBIA, 2002).

The Growth of Business Incubation in America

Business incubators are becoming more and more popular among entrepreneurs, and those who are educated about the wide array of benefits that these organizations have to offer regard it as just the resource that fledgling companies need in order to succeed long-term. However, the concept of business incubation is relatively unknown to the average citizen, in spite of the fact that thousands of entrepreneurs have strategically located themselves in incubators to increase the chances of their business' survival. Incubation has remained somewhat of a secret, hidden resource in North America. When asked about business incubators, most people are unable to reconcile their notions of what business does and what incubators have to do with them. At first consideration, they tend to muse, "Isn't an incubator a place for baby chickens?" On the contrary. Once the notion of business incubation is explained to most individuals ignorant of the idea, they tend to immediately grab onto the concept as a wonderful, even logical initiative. Further, once the statistics are stated (that 87-90% of incubated small businesses are still open

after 5 years as compared with only 20% of non-incubated businesses), their immediate reply is, “why don’t all businesses use incubators then?” Even still, while there are some who possess the knowledge that incubators exist, exactly what they do and what they have to offer is often unknown. Once the public is informed and educated about business incubators, it is not difficult to sell them on the idea that these relatively unknown resources offer major advantages for small business development.

According to the NBIA, “Business incubation provides entrepreneurs with the expertise, networks and tools that they need to make their ventures successful. Incubation programs diversify economies, commercialize technologies, create jobs and build wealth” (2000). One writer offers his own definition: “Incubators are something like a mixture of an office park and a business school for entrepreneurs” (Gibbons, 2002). Often, incubators are referred to as “catalysts” or “accelerators,” for they accelerate the development and success of small businesses through the provision of resources that small enterprises might not otherwise be able to access due to capital or network challenges.

There is a marked difference between business incubators and small business development centers. Unlike small business development centers, incubators, in essence, actually nurture or adopt the businesses, supporting them in their infancy until they can fly on their own. Further, “though some investment groups call themselves incubators, they offer no guidance, expertise, services or other forms of

nurturing” (Campbell, 2001). Those seeking true, legitimate business incubation programs must be careful to differentiate between organizations that simply act as landlords to entrepreneurs or professors for business owners and programs that take on the challenge of embracing the business owner and assuming responsibility for the growth and success of the business itself.

Incubator Statistics

The largest study ever conducted on business incubation was completed in October 1997 and conducted by the University of Michigan, the National Business Incubator Association (NBIA), Ohio University and the Southern Technology Council under a grant from the U.S. Department of Commerce Economic Development Administration. Comments Dinah Adkins, Executive Director of the NBIA, “Business incubation programs treat entrepreneurial companies as important community and national resources, and they provide assistance that ensures company success. This study should convince communities that if they don’t already have a business incubation program, they’ll want to start thinking about one” (CPAC, 1998). Prior to this research study, there had only been anecdotal information that suggested that business incubation was a successful economic development strategy.

Practical facts surrounding business incubators are quite interesting. For example, the average annual operating expenses for business incubators in 1998 were \$256,713. Regarding the location trends for business incubators, 45% of North American incubators are urban, 36% are rural, and 19% are suburban (NBIA, 2000).

The average incubator is 36,657 sq. ft. in 1998, the mean is 16,000 sq. ft. and the range was from 600 to 500,000 sq. ft. for tenants receiving incubation service. The average incubator offers full incubation services to 20 in-house and affiliate companies.

The Purpose and Utility of the Business Incubator

While entrepreneurship literature has well documented the importance of business development, what is even more essential is the means by which these enterprises are implemented (Johannisson and Nowicki, 1992). A business incubator, simply put, is an institution that provides nourishment for new businesses. According to Greene and Butler (1996), “The purpose of a business incubator is to provide some combination of necessary resources in order to nurture a new and/or growing business to some level of maturity.”

According to Campbell (1989), the role of incubators is to function as “change agents” in economic development. Business incubators address many of the challenges that entrepreneurs face in small business development, including problems of high information costs, low service levels, difficulties in obtaining business services, and shortages of capital sources. Further, Campbell goes on to question the incubator participation levels of minorities as both enterprise owners and employees.

The business incubator serves as a source of growth and development for businesses that are in the early stages of formation. These can be new start-ups or

fledgling businesses that have been in operation usually for no more than 1-2 years.

Two types characterize business incubators: formal and informal.

The Formal Business Incubator

A formal business incubator is designed to provide a nurturing environment for start-up or existing businesses to grow and develop, and it often houses its operations within a dedicated facility that makes space available for entrepreneurs to house their businesses. These organizations are known to provide office or production space, business and technical assistance, and support services that increase the likelihood of survival for the small business (Allen and McCluskey, 1990). Greene and Butler (1996) report, “Whereas the origin of formal business incubators is rather ambiguous, the number of formal incubators in operation increased fourfold between 1980 and 1989 to reach a total of approximately 400 U.S. incubators” (Rice and Abetti, 1992; NBIA 1990; Allen and McCluskey, 1990).

A number of different types of formal incubators exist, from for-profit organizations that are privately-owned and focused upon profiting from the development of and profitability of enterprise, to non-profit community incubators that form such organizations for the purpose of economic and community development, to academic incubators, and finally, to hybrids of these different incubator forms. Gatewood et al. (1986) characterize the different types of incubators by the use of a continuum or spectrum.

For-profit incubators, those that receive equity in exchange for occupying their space and access to their services, comprise only 25% of all incubators. Nonprofit incubators make up the remaining 75% of incubators in North America (NBIA 2000) and are often partnerships with nonprofit organizations, community development programs, and other groups or private businesses with an interest in business development. The NBIA (2000) reports that for-profit incubators recently began opening at the rate of four per week.

Allen and McCluskey (1990) continue the continuum discussion by placing for-profit property development incubators and for-profit seed capital incubators on either end of the continuum, placing non-profit and academic incubators between these two anchor points. While the development incubator purposes to maximize the development of the incubator property, the seed-capital incubator is primarily concerned with the development of profitable enterprises. Often, non-profit incubators are formed to increase the development of new enterprises. These organizations are most often community-sponsored or overseen by some type of political or governmental organization. Academic incubators are usually formed by a college, university or other academic institution in collaboration with representatives from private industry. Finally, a hybrid incubator usually combines characteristics of any of the incubator types in any particular fashion (Allen and McCluskey, 1990).

Informal or Virtual Incubator Programs

Aside from services offered to incubator tenants, many incubators offer services to the community either free of charge, on a fee per service basis, or on a flat membership fee paid annually. These types of programs are often referred to within the incubator industry as “virtual incubators,” or “incubators without walls,” for the incubator organization offers a wide variety of services to incubate businesses in the community without providing actual tenant space within the incubator. Virtual incubator services are usually open to any business owner in the community, and some incubation programs require participation in this type of program a prerequisite to becoming a tenant in the incubator. These programs often offer workshops on how to write a business plan, marketing on a budget, credit counseling, how to qualify for a loan, how to build a basic website, networking, basics of business budgeting, negotiating, and insurance among other topics of value and interest to the existing or aspiring entrepreneur. While these programs may be presented by the staff members of the incubator, most often they utilize guest professionals from the community who volunteer to make such beneficial presentations free of charge to attendees.

Additionally, these informal or virtual incubator programs may extend to offering the benefits of participating in their loan programs to the community and to non-tenants. For example, the Wisconsin Women’s Business Incubator charges a fee of \$50 to business owners to become a member of their lending program, and this fee

is placed into a loan loss reserve fund (ACBJ, 2002). In addition to allowing people in the community to participate in their loan programs, incubators will also allow participation in brown-bag forums, and technical assistance and mentoring programs or consulting sessions. It is not unusual for this type of virtual incubator program to receive public funding to supplement such program expenses.

The Development of Business Incubators

Among the different factors that stimulate the development of business incubators, the principal motivations underlying the formation of a formal business incubator include: (1) economic development efforts intended to stimulate the economy, create jobs, and diversify the local economic base; (2) the commercialization of research and the transfer of technology into new and different commercial applications; and (3) the enhancement of small business success (Greene and Butler, 1996; NBIA, 1990; Smilor and Gill, 1986).

There are a number of different ways that incubators find their origin within a community. For example, the Houston Business Journal (Darwin, 2002) recently featured a story entitled, “New Incubator to Cater to Ex-Enron Employees” in which a group of Houston business people were reported to have launched a non-profit incubator to help former Enron Corporation employees start new businesses based on their entrepreneurial ideas (the Houston-based company laid off 4,500 people in December 2002 when they filed bankruptcy). At no charge to the entrepreneurs themselves, this organization would offer these newly unemployed individuals

secure office space, professional services, computers, mentoring and access to funding sources. The incubation group, Resource Alliance Group of Houston, launched the incubator because according to co-founder and executive director of the group, there was no way that these people were going to be absorbed into the job market, and “Every (energy) company across the country wants to pick off that talent. We don’t want them to leave because of the financial impact on the community” (Darwin, 2002). Thus, this particular incubator collaborative was established as a way to keep bright, young talent and their business ideas in the city of Houston.

Another reason that incubators are launched in communities is that community developers or planning boards determine that there is a need for more diversity in the business community. This is especially true when economic and community developers engage in the practice of smokestacking, concentrating large numbers of jobs within a few major corporations or industry sectors. One of the best ways to cushion against the possible shockwaves that a massive layoff or company closing may have on the local economy is through the careful development of stable small businesses. Larry Molnar, director of the EDA University Center for Economic Diversification at the University of Michigan Business School, Ann Arbor (and member of the aforementioned 1997 incubator study), comments, “While a variety of development strategies are aimed at attracting existing firms to a region, business incubation is geared primarily to creating new firms and new jobs. In an

economy where new businesses are creating far more jobs than existing corporations, it's important for communities to have business creation strategies in place" (CPAC, 1998).

Other groups have also become active in the incubator movement, including tribal governments, chambers of commerce, church groups, arts organizations, community development councils, federal agencies, colleges and universities (Campbell, 2001).

The start-up costs to launch an incubator vary based on the size and condition of the facility, services offered by the program, and how many tenants the incubator will serve. Jumpstarting Business Ventures reports on a recent survey that indicated that total start-up costs for an incubator range from \$175,000 to over \$4 million, with the median being \$412,500 (JBV, 2002).

Public funding is usually solicited to fund incubators. State governments or nonprofit organizations fund roughly half of business incubators. Most state-funded incubators focus on technology, and universities and colleges support 27% of the total making them the second largest incubator sponsors. After this, 8% of incubators are funded by private, for-profit investors, and 16% are jointly funded by public and private sources (Kearns, 2000). Most states began including the establishing of incubator programs in their legislation in the 1980's, but over time, due to a slowing economy and a reduced focus on small business development, funding has been cut for programs across the nation, and incubator budgets continue

to suffer. Departments of economic development are usually the source of state assistance, but this may vary depending on the nature of the incubator (Kearns, 2000).

There is no cookie cutter method for designing an effective incubator, as each incubation strategy will differ with the dynamics of the community that it serves. While the literature suggests that each incubator is different across genres, research reveals that there are differences between incubators within the same genres ranging from variations in staff size, facility size, programs offered, admissions criteria, graduation criteria, rent amounts, and services available.

The individual or organization responsible for forming a business incubator greatly affects the makeup and principal focus of the organization. Such variances in incubator development may take the shape of differences in amount of space dedicated for occupants, services offered, fees charged, entry and spin-out requirements, length of time for occupying incubator space and a number of other factors that differentiate one incubator from another.

Gaining Admission into an Incubator

Because of the significant advantage that formal incubators offer to the fledgling entrepreneur, gaining admission into one can be a challenge. There is usually an application process by which the entrepreneur's business idea is evaluated, as well as its business plan and other factors that might contribute or

detract from the possibility of the business becoming a lucrative enterprise for the entrepreneur, the incubator and the community.

Standard practice for admission in the incubator industry is to have interested business owners fill out an application for tenancy, and then, an interview is scheduled with the incubator manager or other staff member to assess the applicant. In some organizations, there is a follow-up interview with an Admissions Board for the incubator. Once this interview is complete, the Board makes a decision on the business according to standard incubator admissions criteria. If the potential tenant's request for residence in the incubator is declined, he or she is often invited to participate in the organization's virtual incubator or incubator without walls program which offer the benefits of business incubation without providing physical space in the incubator for the business.

There are usually a few standard-for-the-industry criteria for admission of potential tenants into a business incubator. First and foremost, a business is evaluated on a completed business plan, which should "show a clear demonstration of a market, meaning there are people who are ready, willing and able to buy the product or service" (Garrity, 2002). If the business plan is sound but in need of some refining, a business may be admitted entry, and the incubator staff will assist with further development of the plan. After this initial evaluation, how the business will be financed is an essential deciding factor of whether the entrepreneur will be granted admission into the incubator. If the business has already secured financing

from an investor, if it does not require much capital to start up, if it demonstrates that it can be financed by the usual bootstrapping methods (credit card debt, savings, or family and friends), or if it is strong enough to secure traditional financing from banks or other lending institutions, its chances will increase for becoming an incubator tenant. Next, incubator managers must use a keen business intuition to evaluate intangibles such as the character, the passion, the commitment and the drive of the entrepreneur. The business owner should show a desire for guidance and direction from the incubator staff in business and technical matters and demonstrate an openness and willingness to learn from the expertise of incubator managers. Finally, the business must fit within the scope of the incubator's industry niche, whether it is technology, light industrial or manufacturing, empowerment, or any other industry subgroup (arts, media, service, food production, wholesale distribution) to which tenancy may be restricted. Incubator managers take factors into consideration such as how many businesses the incubator currently hosts in any particular industry sector, the uniqueness of the business idea, and how the business can serve the needs of the incubator itself or its tenants (for example, computer technical assistance, website development, painting, construction, security systems). Considered to be "anchor tenants," some businesses are sought after because they have key specialties, like commercial services that receive offsets for services provide to clients (JBV, 2002).

Sometimes, incubators will exchange client services for equity in the business, which in the case of many start-ups is more readily accessible. According to Jumpstarting Business Ventures, “As a (very rough) ‘rule of thumb,’ a promising company could be valued today at 3 times a credible 3rd year earnings estimate, adjusted for risk. Equity share taken by the accelerator or investors is determined by the value of services provided, and amounts of investments, as percentages of valuation” (JBV, 2002).

Incubators tend to vary in their admission of non-profit organizations. While in some cases, incubators, usually empowerment or community incubators, allow non-profits to occupy space within the incubator, there are others who do not see these as true enterprises because their focus is not on making a profit. Nonprofits are better positioned for incubator admission if their organizational goals are consistent with those of the incubator. For those non-profits that are fortunate enough to be granted entry into an incubator, the benefits are just as plentiful for them as for a for-profit enterprise. The San Francisco Business Times featured a story, “Nonprofits Get a Life” in which it reported the benefits of housing a non-profit organization in an incubator (Walker, 2002). In an incubator, a non-profit can partake of business-like benefits such as developing a business plan, recruiting members, capital-raising, access to mentoring, and access to community professionals that volunteer their services including attorneys, accountants, and others. Because they often do not have large cash reserves, non-profits find the low

or below-market incubator rents suit their budgets quite well. Further, having an incubator presence lends credibility to the dealings of the non-profit, allowing them to meet in executive conference rooms rather than over the kitchen tables where they had previously been working. Perhaps the greatest benefit of being in an incubator for a non-profit is that it brings the business community together with the non-profit world to create opportunities (Walker, 2002), as a gap often exists between the two communities.

Guidelines to which companies must adhere once inside an incubator vary by the incubator organization, with some programs being more structured and rigorous and others being less formal and laissez-faire. Often, tenants must provide financial statements to incubator managers so that the management stays aware of the business' growth and development. Many incubators also require the companies to purchase insurance coverage for the business, usually not less than \$1 million, as a condition of maintaining residence in the incubator. Aside from the periodical submission of financial statements and maintaining the proper insurance coverage, incubators vary widely on their guidelines for incubator tenants.

Benefits of Incubator Residency

According to the NBIA (2000), business incubators reduce the risk of small business failures. In fact statistics show that 87% to 90% of all businesses that graduate out of incubator programs are still in business. This is contrasted with approximately 20% to 30% of non-incubated businesses that are still in business

after the same length of time. The effects of taking up residence in a business incubator also reach into the revenue stream of businesses, as the average firm's sales increase by more than 400% from the time it enters until the time it leaves the incubator and as startup firms in incubators annually increased sales by \$240,000 each and added an average of 3.7 full- and part-time jobs per firm (2000).

A formal incubator program is more than just a renovated, previously abandoned building that offers cheap space to startups. If a start-up or existing business owner is fortunate enough to be granted entry into an incubator organization, he or she is granted access to a world of amenities, benefits and resources that will assist in the effective nurturing and development of the small business. Essentially, these programs offer a one-stop-shopping concept in which there are numerous products and resources all conveniently and efficiently co-located under one roof for the benefit of the entrepreneur—and all for one low cost.

Table 1 details some of the resources and services available to incubator residents that fall into three categories: shared office, management/technical assistance, and financing.

Table 1. Resources and Services for Incubator Clients

Shared Office	Management/Technical Assistance	Financing
Conference room	Business plans	External aided
Photocopying	Marketing	Internally provided
Receptionist coverage	Accounting	“Survival Funding”
Word processing/typist	Government grants and loans	
Security	Legal services	
Computer equipment	Patent assistance	
Fax machine	Computer training	
Office equipment	International trade	
Business resource library	Government procurement	
Audio/visual equipment	Equity and debt financing	
Extra storage	Access to sophisticated computer processing	
Bookkeeping	Access to other resources outside the incubator	
Group health insurance	Research and development	
Secretarial services	Business taxes	
Postage machine use	Notary services	
Binding machine use	Desktop publishing and design	
Computer software	Website design and training	
Secured mailboxes	Technology support services	
Manufacturing equipment	Mentoring	
Commercial kitchen use	Access to interns	
Other		
Below-market office space		
Flexible leases		
Dedicated phone services		
Common lounge areas		
Business waiting areas		
Group health insurance		
Membership in professional orgs.		
Chamber of Commerce benefits		
Relocation services		
Custodial/Maintenance services		

Source: ADAPTED from the National Business Incubation Association, *The State of the Business Incubation Industry*, 1990, pp. 11-13.

Such resource sharing reduces startup cost barriers for businesses, and it allows them to apply their initial capital and time investment towards building the core business (Garrity, 2002). According to a story featured in the Birmingham Business

Journal about incubators, one tenant explains, “It’s a nurturing environment for a business owner... Starting a business is hard enough without all the other expenses and responsibilities. You can focus on your business, and you don’t have to take care of your own bathroom or mop your own floors” (Putnam, 2002).

The ability to locate a business in an incubator is also beneficial because most incubators allow businesses to sign short-term, flexible leases in which the business occupies only the smallest amount of space that is needed for the business. As the business expands, it is conveniently allowed to move to a larger space in the incubator as many times as necessary to accommodate the business’ growth. Thus, the businesses pay for only what they need at any stage of growth (Garrity, 2002), allowing their overhead costs to keep scale with their revenues. Rents are usually below market rate, often in the range of 20%-30% below.

Incubator tenants are also granted the convenience of having on-site technical assistance and business counseling, for often a business owner may not know who to ask or even what the right questions are to ask concerning a particular matter. This is essential because though many small business owners know how to perform the technical functions to produce their product or service, many do not know the first thing about running a small business (or in many cases, what they do know is erroneous). Most incubator staffs realize that they are present to ensure the success of their tenant small businesses, and because of this, staff members tend to have open door policies offering “doorway consulting” in which they can lend their expert

advice to the business owner one-on-one. Practically speaking, each member of the incubator staff is a small business consultant. Such managerial or financial consulting may be scheduled, sit-down session to help business owners reach long-term projected goals, it may be on-the-spot, necessary to put out fires that might flare up in the business. According to Garrity, “This is the true core of what an incubator provides and often can help fill in gaps in skills of new businesses” (2002).

While incubator managers and their staff often provide these services to the incubator tenants, many of the resources and services that are made available to the incubator tenants are offered through networks that the incubator has formed with community professionals, local community colleges and universities, non-profit community organizations, and private corporations who desire to invest in small business growth and development in their local community. Professionals that will offer their services to tenants pro-bono or for a reduced fee include lawyers, accountants, bankers, and advertising experts. These individuals are usually utilized for seminar presentations or mentoring small business owners in the incubator. Most incubators compile a thorough listing of the resources available either within the walls of the incubator or through contacts in the community, but if new needs arise that cannot be met by existing resources or contacts, more contacts and networks are developed to effectively address the need of the incubator client. Thus, under good management, the list of available resources in a business incubator tends to be in a dynamic state of expansion at all times.

While access to each of the services and resources listed plays an invaluable role in the entrepreneur's business success, respondents in one incubator research study that represented the tenant enterprises considered the atmosphere and moral support the most important provision in the incubator (Spitzer and Ford, 1989). The types of encouragement in the incubator environment, the opportunity to be surrounded by other business owners who are also in their fledgling stages, and the internal security of having a support system that is working to ensure the success of one's business are unique to formal incubator environments, and these elements make incubators the desired choice for many entrepreneurs.

Another benefit that is often highly valued by incubator tenants is the sense of community, encouragement, camaraderie and moral support that they experience within incubator walls as fledgling entrepreneurs. According to one business incubator director, "It's really lonely being an entrepreneur... New business owners often are by themselves. Here, we give people the support and access to resources" (ACBJ, 2002). Garrity describes this as a "true entrepreneurial community," as the co-location of so many startup companies struggling with the same challenges who also possess a strong commitment to overcome them creates an opportunity for business owners to share and learn from each other (2002). Being a part of an entrepreneurial community is essential for maintaining morale among small business owners dedicated to overcoming the odds. As the director of the Genesis Technology Incubator in Fayetteville, Arkansas explains, "Our experience has been

that there is a huge feeling of isolation for many start-up businesses... The incubator keeps them connected to other entrepreneurs in similar situations” (JBV, 2002). One independent study reported that incubator firms tended to use incubators to facilitate partnerships with other incubator participants, noting in fact that one out of every six firms reported that they had collaboration with another incubator client (Sherman and Chappell, 1998).

Graduation or “Spinning Out”

One of two types of criteria usually governs the amount of time a business functions in the nurturing, supportive environment of an incubator: time or scale. After a set amount of time, typically an average of three years (Garrity, 2002), the business, hopefully profitable and able to sustain itself, will “graduate” or “spin out” of the incubator, allowing space for other businesses to gain entry. Other incubators allow businesses to remain in operation in the incubator until the business reaches a predetermined scale or threshold, e.g., size or sales, before the business must find a new place to function in the outer business world (Greene and Butler, 1996). Graduation policies also differ depending upon the incubator.

Incubator Leadership

Linking the incubator clients to the outside world are key individuals who are incubator managers, referred to by Smilor et al. (1988) as “influencers” or “executive champions” who “make things happen” and who are able to network with other “influencers” to make the right connections for the benefit of the businesses that they

have taken under their wing for nurture and development. These highly networked, important, influential individuals provide the vision and inspiration necessary for nurturing and maintaining the incubator environment. It is their task to serve as midwives to birth a plethora of diverse, innovative businesses. In fact, the incubator manager, described by Campbell (1989) as the “impresario” or the “great man,” has been found to be the most important intervention tool for incubator tenant success (Rice and Abetti, 1992). Greene and Butler (1996) note that “this role, like every other aspect of incubators, varies widely between incubators, but includes a selection of responsibilities such as networking, counseling, providing emotional support, and providing expertise in diverse areas as marketing, business operations, finance, and accounting” (Rice and Abetti, 1992; Smilor and Gill, 1986).

The study of “influencers” or key individuals who link together major segments is not a novel idea. In research on high technology development in Austin, Texas, Smilor et al. (1988) discuss the vitality of having certain leaders to link together the major segments in an institutional makeup of a city focused on small business development through the vehicle of technology commercialization for the sake of economic development. Influencers link together the research university, large technology companies, small technology companies, state government, federal government, community leaders, “people to know,” and support groups.

Incubator managers must be more than merely landlords. Rather, they must be intelligent, network-savvy, and masterful at forging alliances with those in the

community, including professionals who can donate their services as mentors and investors and they must be resources in and of themselves, able to provide technical assistance in a number of areas to entrepreneurs (in 1998, 85% of all senior incubator managers had a college degree or post-graduate education). One research study notes a critical role that these managers play, “Incubators may forge partnerships with lending institutions and potential investors. They may also create co-provider, co-bidding, joint selling or distribution arrangements for their firms. It would be difficult, if not impossible, for an individual firm to create such a vast network of services and resources on its own” (Molnar, 1997 in CHDC, 1998).

For example, incubator management may be approached by a tenant that is experiencing a legal dispute with a distributor and may not possess the resources or the know-how regarding the settlement of the dispute. After a visit to the incubator manager, the owner is contacted by an attorney in the community who offers his services to the tenant free of charge to assist in settling the dispute. Such relationships are often almost single-handedly based on the incubator manager’s networks in the community with professionals willing to donate their time to the cause of the incubator and its tenants.

The role of the business incubator is to create a safe place, a microcosm of the best possible entrepreneurial community that can provide a synergy among business, academic, government, and community entities. Institutional alliances facilitate the development of business. All types of alliances are essential to small

business success, and incubators pull them together to work as a cohesive unit. Smilor et al. (1988) writes, “Although each of the institutional segments... is important to... company development, the ability to link or network the segments is most critical.” Unless these segments are linked synergistically, business development, and consequently economic development, slows or stops completely (Birley, 1985; Aldrich & Zimmer, 1986).

What is important to understand is that while each of these individual elements of the whole is competing with one another, cooperation of one with the other is necessary for the whole to grow and benefit. Thus, Smilor et al.’s (1988) research emphasizes the importance of networking across each of these segments, both public and private entities, to effect change, and incubator managers have the charge of mastering this skill.

Incubators are also about facilitating networking opportunities, and based on the previous research of many (see Smilor et al., 1988; Rogers & Kincaid, 1981; Ouchi, 1984; Aldrich & Zimmer, 1986) we discover that the more extensive and the higher the level of networks across the different segments of governments, corporations, universities and support groups, the more likely cooperative economic activities are to take place at community and state levels.

Access to Capital

Finally, incubators are about bringing together a variety of financial resources on the local, state and national level, through both public and private funds, to be

able to provide financial assistance to entrepreneurs who desperately require these infusions of capital in order to survive and prosper. These incubator monies often come in the form of public and private grants, endowments, research awards, special government programs, and through the donation of private funds.

Perhaps the one of the most widely-regarded benefits of taking up residence in an incubator is that of increased access to funding. Incubators may provide access to funding in one of two ways. The first means of providing funding is that by which an incubator builds an in-house revolving loan pool to which incubator tenants, if they qualify, have access to what usually are micro loans not exceeding approximately \$35-50k. Micro loans that are offered by incubators usually do not follow traditional lending criteria, placing less emphasis on credit reports, assets and collateral than do traditional lending institutions. Incubator program participants may apply for micro loans to finance operational needs of their business, or, if the incubator offers such a service, they may apply for an emergency loan to address unexpected needs that may arise and that may jeopardize the success of the business. The Wisconsin Women's Business Initiative Corporation incubator in Milwaukee employs this lending strategy. The WWBIC began a lending program that offers \$500 to \$1,500, "a sum too low for banks to consider and a figure too high for those with a black mark on their credit history." Further, the organization explains that, "the loan is offered at a 10 percent interest rate—much less than check-cashing

businesses that dot Milwaukee's central city and charge very high interest" (ACBJ, 2002).

Another option for financing that is widely offered by incubators is that of capital referrals. Again utilizing their extensive networks with local banks, venture capitalists and angel investors, incubator managers will assess the financial needs of their tenants, help them to assemble a proper loan or capital package presentation, and then connect the client with potential investors in the community that would be best suited for the entrepreneur's purposes. NBIA studies show that 58% of incubators help connect their client companies to investors and strategic partners. However, incubator residences are appealing even to those who have sufficient funding to set up their business elsewhere. According to a company CEO incubator resident in Rockville's Maryland Technology Development Center, "We could have landed in non-incubator space because we were well-funded, but we absolutely got traction faster because we had good lab space and good sterilization equipment and tissue culture hoods immediately" (Terry, 2002).

Categories of Incubators

Though the bottom line for business incubators is essentially small business development, differences do exist among incubators, usually in terms of the goals and objectives of the sponsoring organization. Whatever the interest of the sponsoring organization, there is an incubator that will effectively advance their goal of small business incubation. Incubator experts advise that selecting an industry

niche is a good move when developing an incubator, because it allows the incubator to concentrate the types of equipment, products, resources and services that it invests in for the benefit of its tenants. Explains a representative of one incubator organization, “If you have a focus—either on a certain type of company or a certain population, like women or minorities—then you’re working with people who have the same challenges, who are undergoing the same shared experiences” (Gibbons, 2002). For example, one incubator that desired to focus on helping minority contractors led the organization to offer courses on such customized topics as blueprint reading and bidding on government contracts (Gibbons, 2002). This adaptability for incubators to meet the different needs of industry sectors is one reason why it is such a good economic tool (CPAC, 1998).

According to the National Business Incubator Association, there are currently about 1,000 incubator clients in North America that are classified into 7 main categories: Mixed Use (43%), Technology (25%), Manufacturing (10%), Targeted (9%), Service (6%), Empowerment (5%), and Other (2%) (NBIA, 2002).

Technology incubators comprise approximately 25% of all incubators in North America (NBIA, 2000). These incubators “focus on enhancing community research and development in high-tech, rapid-growth industries that have a good chance of attracting capital and can have a long-term impact on spurring economic growth and creating jobs” (Burger, 1999). While firms in all types of business

incubators show similar increases in their annual gross sales, firms from technology incubators create more jobs than other types of incubators (CPAC, 1998).

Mixed-use incubators comprise approximately 43% of all incubators in North America (NBIA, 2000). This type of incubator accepts clients from a wide variety of business emphases. They are largely created by local governments to spur economic growth and create jobs (Burger, 1999). Mixed-use incubators contain a variety of different types of enterprises including service companies, general contractors, specialty foods vendors, marketing firms, staffing companies, and financial service advisors. Except for restaurant and retail operations, most start-up businesses are well suited for an incubator (JBV, 2002).

Manufacturing incubators, which comprise 10% of business incubators, provide physical space and technical business assistance for those in the manufacturing industries (usually lighter manufacturing industries). These incubators must often provide ample, large production spaces in order to accommodate the manufacturing needs of their clients.

Targeted incubators, 9% of all incubators, are those that focus on a specific industry such as software, food manufacturing, multimedia, the arts, etc. (NBIA, 2000). They may also target populations of a specific demographic like the Houston Women's Business Center for example. This Women's Business Center targets "contemporary, fast-track women business owners and career professionals and bills

itself as the first incubator to teach entrepreneurship and intrapreneurship to women” (Campbell, 2001).

Service incubators, 6% of business incubators, are those that cater their product and physical space offerings to businesses in service industries, including professional services.

Empowerment incubators make up 5% of all incubators and are also sometimes referred to as “microenterprise” or “community” incubators in the literature. These organizations tend to focus on assisting targeted populations in their efforts to develop and grow small business enterprises.

Economic and Community Impact of Incubators

Among other organizations, the NBIA regards business incubation as an economic development best value (2000). In disinvested communities that are plagued by high unemployment, large numbers of poor working-class families, and rampant social challenges, empowerment incubators are more readily able to address agendas for community revitalization. Dinah Adkins, president and CEO of the NBIA promotes the notion that encouraging entrepreneurship and supporting business development are two key ways to jump-start a slowing economy, as entrepreneurship is strongly associated with economic growth (Knopp, 2001).

There are a number of benefits associated with placing business incubators in the community, according to incubation industry experts, and this is especially true in the case of disinvested communities. The uninformed community development

advocate might wonder why business incubators need be included in a plan for neighborhood revitalization. Proponents of wealth creation through small business enterprise formation should become well-versed in the clearly-stated benefits of business incubators. One national business incubation study reported that 66% of incubated firms rated involvement in the incubator program as important or very important to their firm's success (CHDC, 1988). Further, incubator programs not only benefit the immediate incubator tenants, but the effects tend to be far-reaching in the surrounding community. The same previously referenced study reports, "Community stakeholders and incubator managers rated incubators as effective in improving community and neighborhood image. They reported that incubators made positive impacts beyond direct incubator activity. These included retaining healthy businesses in the community, strengthening opportunities for student jobs and internships, and enhancing the area's business climate" (CHDC, 1998). Thus, when one discusses benefits of business incubation, the discussion must be on multiple dimensions, including not only the accelerating, nurturing and resourceful benefits for the business owner who seeks residence in the incubator, but the surrounding community that becomes the direct beneficiary of the social and economic wealth-producing activity of the incubator organization.

Incubators help to stabilize communities. There have been measurably significant community impacts by business incubators. First, studies reported by the NBIA show \$1 estimated annual public operating subsidy provided the incubator,

clients, and graduates of NBIA member incubators generate approximately \$45 million in local tax revenue alone (NBIA, 2000). Second, these incubators who receive public support create jobs at a cost of approximately \$1,100 each, while other publicly supported job creation incentives usually cost in excess of \$10,000 per job that is created. In 1996, incubators reported that on average, their firms had created 468 jobs directly and 234 additional “spin-off” jobs in the community for a total of 702 jobs (NBIA, 2000). A study by the University of Michigan Business School found that the estimated public subsidy cost per job created was \$1,109 (CHDC, 1988). Then, the study discovered a healthy return on public investment at \$4.96 for every \$1 of public operating subsidies. This calculation does not include state or federal taxes. Thus, results of this research clearly indicate that business incubators add considerable resources to, not take resources from, their communities (CPAC, 1998). Next, for every 50 jobs created by an incubator client, another 25 jobs is generated in the community (NBIA, 2000). There is some speculation as to whether jobs that are credited to the presence of business incubators would have been created even without the business’s participation in the incubation program. Research indicates that even if one-half of all jobs credited to business incubation programs would have been created without the incubator, the public subsidy cost per job would be only \$2,218, and this subsidy, when compared with other business development programs, is quite favorable (CHDC, 1998). Finally, in NBIA research studies, more than 84 % of incubator graduates stay in their communities and continue to provide a

return to their investors (2000). Financially viable firms have the potential to revitalize disinvested communities through wealth creation, and the jobs and tax revenues that are generated through these activities in turn strengthen the local economy.

According to the National Business Incubator Association, despite their early stage, most incubator firms provide employee benefits (NBIA, 2000). This is a critical, often overlooked benefit of what incubated businesses have to offer, especially when such benefits are offered in a community where many of the residents do not have sufficient insurance coverage. Thus, in addition to supplying jobs that pay a livable working wage for members of the community, incubator companies supply benefits necessary to maintain healthy families.

Because effective incubator organizations take the time to develop relationships with their incubator clients, once the clients graduate, program managers tend to develop a significant level of influence in helping business owners to decide exactly where they will relocate once they have graduated out of the incubator. A focused incubator manager will not only encourage the business to stay in the district, county, or local area that houses the incubator, but the incubator staff will often assist the business in finding a location nearby in which to position the business for further growth and development. The necessity behind this effort is community reinvestment. That is to say, if the business owner graduates from the incubator and stays in the community, the tax dollars, jobs, and the value of the

business itself is of direct impact on the community. Thus, the business owner is reinvesting in the public and private resources that helped its business grow to such a level as that which made it possible to graduate from the incubator. There are two ways in which a community can lose out on the returns of their investments in incubator businesses. First, if incubator graduates cannot find affordable space in the community surrounding the incubator, it has no alternative to moving the business out of the area that invested in its growth and development. Secondly, the practice of poaching (see glossary) is not uncommon. It is only by settling in the community that made the investment in the business that true community development will occur with incubator program participants. The converse would be that the business would move outside of the city, relocating to an area that did not directly invest in its growth and development, and all of the returns, economic, social and otherwise, would go to the new community that made no investment in the business.

CHAPTER 4

“Empowerment” Business Incubators

Because this research study seeks to address disadvantaged populations in economically distressed urban areas, the type of classification that incubation experts would attribute to this type of incubator would be that of “empowerment incubator.”

According to Seedco [Seedco is a national nonprofit community development organization. Founded in 1986 and based in New York City, the organization supports, through financial and technical assistance, the community building work of nonprofit organizations and small businesses in low asset communities], “Empowerment incubators—incubators located in low-income areas or targeting disadvantaged entrepreneurs—have the potential to benefit an entire community by causing a chain reaction of positive economic effects” (2002). Empowerment incubators are characterized by the National Business Incubator Association as those incubator programs that work with disadvantaged populations or operate in distressed communities. Through the development of small businesses, this particular incubator model targets low-income minority and women in such distressed communities. Industry researchers believe that by providing a supportive structure for business development in these communities, including entrepreneurial training, adequate business facilities, and access to capital, new entrepreneurial ventures will be birthed that will not only provide revenue to the neighborhood but new life to the community. As explained by an incubator manager overseeing the Wisconsin

Women's Business Initiative Corporation in Milwaukee, WI, "Low- to moderate-income women and people of color who want to start businesses face more challenges than other would-be entrepreneurs... They are often undercapitalized and have issues with transportation, child care and health insurance" (ACBJ, 2002). Thus, a need exists for incubators to serve the specific needs of these special populations.

The chief goal of these empowerment incubators is to give lower-income people power over their social and economic circumstances and seek to revitalize economically depressed areas of a community (Burger, 1999). Additionally, they tend to utilize old, abandoned buildings in inner-city areas to encourage wealth creation via enterprise formation. This type of incubator appears to be a fast-growing segment among incubator types (JBV, 2002), and they are rated high by their community stakeholders in assisting minorities and women business owners and enhancing the business climate of the community (CPAC, 1998). According to a 1998 research study examining methodological challenges in evaluating incubator outcomes, it was noted that firms that were located in empowerment incubators had sales that increased from \$163,339 to \$615,611 (Sherman and Chappell, 1998).

The use of the term "empowerment" in the classification of incubators that serve economically distressed populations is one that immediately invokes a connotation of the organization having a social service mission or vision. This, however, may not be the case in many incubators who choose to locate themselves in

disinvested areas, and it is widely known that many incubator managers immediately scoff at the use of the term even being remotely related to their incubation programs. One well-known and highly regarded incubator developer that was interviewed during the course of this study explained,

I told them [the NBIA] I hate that word. I don't ever respond to anything they send me with that word...I've challenged it from day one. And never will I respond to anything they send me with that...You know what it does? It gives a cliché for urban environment, and I hate those clichés. Just because you work with minorities, or just because you work in an urban setting doesn't mean we have to have certain terminologies attached to us. And 'empowerment' sounds like a social program and I don't want a social connotation to my program.

This is indeed a perplexing subject. On one hand, there are incubator leaders who are familiar with the term "empowerment" and refuse to allow it to be associated with their programs, and on the other hand, there are those program leaders who do not even know that such a label for their programs exists. More often than not, these incubator managers see their programs as having the same bottom line as those incubators classified into such categories as mixed-use, service or manufacturing that are not located in these impoverished areas. Simply put, this bottom line is to help their businesses make a profit, resulting in the addition of jobs and dollars to the local economy. I would venture to say that these incubator

organizations located in disinvested inner city areas would almost unanimously rather forego the “empowerment incubator” label for either a “mixed-use incubator” label, “service incubator” label, or some other designation that indicates the types of business that they service in their organizations rather than their geographical or demographical designation. It is my opinion that these incubators should reserve the right to select one of these categories that do not connote a social service mission rather than being steered into the “empowerment incubator” category, for affiliating them with such a nuance may inevitably have an impact on both the outcome of the incubator organization and its client businesses as well. Finally, The American Heritage Dictionary defines “empowerment” as “the state of being invested with legal power; authorized” (The American Heritage Dictionary, 1983). Based on this definition, all citizens are already *legally* empowered, including minorities and residents of inner city areas. Thus the use of the term “empowerment” then is also a misnomer, for all of the legal rights and benefits that can be bestowed on these groups have been bestowed upon them. It is widely believed that the NBIA picked up the use of this term from the Clinton administration, for history has demonstrated that with each new administration comes a new buzzword to signify urban areas across the United States.

I would also like to formally challenge the very existence of the category entitled “empowerment incubator” and its use by the National Business Incubator Association. While the NBIA categorizes all other incubators by the types of

business enterprises that they serve, the category of “empowerment incubator” is so entitled based upon the type of specialized communities and demographic populations that they target. Why the need for a separate incubator classification, and why the need for distinguishing incubators by their geography only when they endeavor to revitalize economically distressed, predominantly minority inner city areas? Is not the bottom line for all business and job development organizations the economic well being of its surrounding area? Should not, then, all incubators have some type of geographical indicator attached to their respective category labels such as “academic mixed-use” for mixed-use incubators located on university campuses or “rural technology” for technology incubators located in non-urban areas?

This issue, though seemingly minor to some, is of great and active debate among incubator developers and managers whose organizations are located in disinvested, distressed areas but who have absolutely no social agenda in the community. The use of the label is not only unfair in its attribution to these incubators, but it carries a racist overtone that impacts the incubator organization as well as the clients it serves and its networks of affiliates in the community. Those who are solely interested in serious business enterprise might consider incubator programs labeled as such to be “less legitimate” than those without a social agenda, and this designation could potentially cost the incubator organization and its clients valuable capital resources, contracts, and validity in the community.

Thus, as this research study concentrates on this group of incubators, and as there is a need to reference them throughout the course of this project, I will be the first to make this concession. Out of consideration for those incubators that locate themselves in distressed communities, revitalizing the areas by impacting their surroundings, creating jobs and infusing dollars into the local tax base, I will forego the use of the label “empowerment incubator” for the duration of this research study. Rather, if I am referencing what the NBIA would categorize as an empowerment incubator that has a mixed-use clientele, I will refer to the organization simply as what it is—a mixed use incubator, and I will make mention that the organization is located in an impoverished inner city area. Further, at any point during this research project where the word “empowerment” is utilized, it is used loosely, and it is utilized because it is a direct quote from the established research or policy literature.

CHAPTER 5

The Context of the Problem

As this research study has limited its scope to business incubation in impoverished inner city areas, or ghettos as they are commonly called, it is important to examine how these areas originally developed in order to understand how we might properly address the social problems that accompany their presence in North America. The problems that we now face today within these distressed areas have their origins that date all the way back to the Reconstruction Era of the 1800's. Throughout this research, the reader will note that various terms are utilized to make reference to such urban areas including "distressed," "depressed," "disinvested" or "underinvested," "impoverished" or "poverty-stricken" and "underclass," "inner-city," or "ghetto." I concur with the opinion of Wilson (1987), "Regardless of which term is used, one cannot deny that there is a heterogeneous grouping of inner-city families and individuals whose behavior contrasts sharply with that of mainstream America" (p. 7).

The Beginning of the Problem

At the onset of the Reconstruction Era, 4 million liberated blacks wandered the South in search of identity and stability. Jobs for these freedmen were scarce, and maneuvering about within such a racially hostile atmosphere was challenging to say the least. Those who had managed to secure agricultural jobs faced a bleak future with the spread of the boll weevil, which drastically slowed cotton production

and caused widespread unemployment throughout the South (Billingsley, 1992, p. 125). Perceiving that little or no opportunity existed in the new South, a large number of blacks began the migration northward in search of a new beginning and a better life. Additionally, World War I produced a need for unskilled blacks in the industrial undertakings of northern factories. The first major voluntary migration, popularly known as “The Great Exodus” began in 1880, and the two most popular destinations for this new citizenry were Kansas, Missouri and Ohio, later to include other parts of the nation. The years 1870-1880 saw a net migration of 60,000 out of the South, but these were small numbers compared to the net migration of 454,000 in the 1920’s and the peak of 1,599,000 in the 1940’s when blacks settled in the northeast and north central regions (Billingsley, 1992, p. 119). Scholars still engage in heated debates regarding whether this northern migration was the best move in terms of finding opportunity and progress of free blacks.

The mass migration of blacks from the South to the North alone was not enough to give birth to impoverished inner city areas. Indeed there were a number of factors operating in concert that contributed to the formation of pockets of urban areas, or ghettos that were predominantly minority and economically distressed in northern areas of the United States. First, there was a tendency for blacks to live with and near other relatives who had migrated northward that concentrated large numbers of low-to-no income blacks in particular locales within the city. Second, there was the growing racial hostility of whites towards these new large numbers of

blacks, which led them to systematically segregate them in neighborhoods separate from themselves (Billingsley, 1992, p. 124). The rise of ghettos increased in proportion to the massive numbers of black migrants who came to the northern areas looking for a better future. White northerners, who had before sympathized with the plight of the Negro, were unprepared for his decision to move to their areas by the thousands. When this occurred, their attitudes became less sympathetic and less tolerant, and they actively sought to keep the black population in its place, meaning separate from themselves and their families. These attitudes were aided by recent legislation at that time, for example the ruling of Plessy vs. Ferguson which promoted separation with equality (Billingsley, 1992, p. 124).

There were several major factors that contributed to the development of the ghetto community: economic shifts from a goods-producing to a service-producing industry that significantly impacted the employment of inner city residents, the departure of manufacturing industries out of the central city, and the flights of established, mainstream populations out of the urban community including whites, upper-middle class blacks, and working class blacks.

Whites in central city areas went even further to exacerbate this separation of themselves from blacks. Marshall (1979) examined reasons why whites left the central city for suburbs in the case of intracity migration and why whites from outside a metropolitan area tend to immigrate to suburbs rather than the central city. The first category of explanation is that of Facilitating Conditions. This highlights

the perspective that a series of technological and organizational changes, such as the spread of highways, automobile ownership, tax incentives to own homes, etc. have made it easier and convenient to live in suburban areas. Next, there is the Structural Conditions explanation that is based on the theory that the normal course of urban development is the increase in density near the city center coupled with an almost inevitable tendency for jobs and housing to expand outward, in conjunction with the ability of cities to annex outlying communities. The final explanation, Push Factors, is a theory highlighted by the notion that whites leave the central city or do not migrate into them because of their desire to distance themselves from the social ills associated with poor blacks in central city areas.

Each of these explanations contribute to our understanding of why whites took flight for the refuge that more isolated, less integrated suburban communities had to offer. Their advantaged status offered them the luxury of mobility that allowed them to take flight to distance themselves from more disadvantaged groups, namely the large and growing black populations in the central cities (South and Crowder, 1997). Soon to follow this group were middle class and urban blacks from the same urban communities who also undertook their own exodus, departing the depressed inner city neighborhoods for those in more desirable parts of the city. Thus, these flights, black and white alike, left behind a concentration of poor, depressed and neglected inner city residents that comprise the ghetto populations that we study today. Massey (1996) writes, “Concentrated poverty follows from any

process that gathers poor people together in space and then impedes their socioeconomic and residential mobility.” According to Wilson, “Today’s ghetto neighborhoods are populated almost exclusively by the most disadvantaged segments of the black urban community, that heterogeneous grouping of families and individuals who are outside the mainstream of the American occupational system. Included in this group are individuals who lack training and skills and either experience long-term unemployment or are not members of the labor force, individuals who are engaged in street crime and other forms of aberrant behavior, and families that experience long-term spells of poverty and/or welfare dependency” (1987, p. 8). Danziger reports that scholars have recently examined how factors such as male joblessness, the out-migration of the black middle class, the persistence of residential segregation, and technological organization to the emergence of these underclass, disadvantaged areas (1996).

Wilson also promotes the belief that the flight of the more stable blacks out of the central city communities led to the social isolation of those who were left behind in the depressed urban area. Social isolation is defined as the lack of contact or of sustained interaction with individuals and institutions that represent mainstream society (Wilson, 1987, p. 60). This social isolation excludes them from job network systems that increase the likelihood of employment for residents and from mainstream patterns of behavior.

Entrepreneurial Isolation

I would go even further in my agreement with Wilson, arguing that not only do these individuals undergo a process of social isolation that secludes them from job network systems, but they undergo an entrepreneurial isolation as well in that they are not exposed to the types of entrepreneurial patterns of business activity that foster a curiosity and desire to engage in entrepreneurship. They are no longer exposed to successful business owners who reflect their own likeness, and therefore develop no aspirations to own their own enterprises—therefore, the only way the only avenue that they seek in order to secure a legal income is to become an employee, never fully considering the feasibility of becoming an employer.

Economic Equals Social Progress

It is of great relevance to this discussion to recognize that economic progress in the impoverished inner city community will be the impetus for the social progress of the same community. There are a number of ills and social outcomes inextricably related to the socioeconomic status of the individuals who reside in these areas. The prevalence of economic ills brings about social problems, and social problems likewise signal the ascent of certain economic trials. For example, research has supported the notion that community socioeconomic factors are responsible for variations in mortality and that for black men, the mortality consequences of living in an economically distressed urban area are quite severe (Guest et al., 1998). Other socially manifested effects of economic ills also manifest in disadvantaged contexts,

in addition to health and mortality impacts. Billingsley notes, “These conditions do not arise, exist, or operate in isolation. They often work together. Poverty, unemployment and stress are highly interrelated. Reinforcing each other, they impact on divorce, single parenthood, teen pregnancy, and school failure. Substance abuse, illness, and domestic violence interact to produce dependent children, boarder babies, and marital conflict. Antisocial behavior such as crime in general and homicide in particular, as well as suicide and accidents, intertwine with other problems. Homelessness is the evidence of a whole cluster of problems. With so many elements overlapping, the crisis can seem overwhelming” (Billingsley, 1992, p. 69).

In light of this discussion, then, we can reasonably ascertain that in order to address the social ills of these specialized communities, we must establish the economic development of these communities as a starting point for the revitalization and recovery of the inner city.

Definition of the Problem

The economic development problems of the inner city are complex. First, jobs are scarcely available in the inner city. Second, jobs that are present in the inner city do not offer living wages, resulting in a high percentage of working poor. Third, job development in inner city areas is often hindered by the negative stigma and misconceptions attached to the geography. Finally, job growth that has occurred in the inner city requires education levels that exceed the levels held by inner city

residents. The results of these problems affect not only the local and state economies of these areas, but they also have far reaching social ramifications. Any solution with the purpose of revitalization of distressed communities should address each of these components in order to effectively accomplish its goal.

The Spatial Mismatch Hypothesis is a philosophy guided by the notion that black access to employment has been adversely affected by the tendency for jobs in urban areas to shift towards locations distant from black residential centers. The theory espouses the belief that most of the jobs that were once available in the inner city have been relocated to suburban areas, creating a great shortage of employment opportunities for black inner city residents. Blacks' ability to physically reach the jobs that are reported to have moved away from their inner city neighborhoods to suburban areas, and thus they are more prone to unemployment (Cohn and Fossett, 1996). This theory does have its critics however as some argue that employment opportunities are available in the inner city. These businesses not only include jobs for which the required educational level disqualifies many uneducated inner city residents, but it includes the support jobs that are necessary to service these jobs (Cohn and Fossett, 1996). Thus, though jobs do exist for inner city residents, most of them are dead end, entry-level jobs that could not possibly advance the social or economic status of black workers.

Kasarda states, "essentially all of the national growth in entry-level and other low education requisite jobs have accrued in the suburbs, exurbs, and non-

metropolitan areas far removed from growing concentrations of poorly educated urban minorities” (in Wilson, 1987, p. 42). Critics still debate whether this trend is responsible for the high unemployment rates of disadvantaged inner city areas. State and local governments are making an effort through a number of programs that attempt to connect inner city residents with the outside world of work from which they are alienated (Newman, 1999, p. 293). However, the solution to economic empowerment of inner city residents lies within the creation of jobs and wealth inside the boundaries of these inner city neighborhoods rather than contributing to wealth-building efforts outside of these areas.

Research has clearly supported the fact that the largest group of poor people in America is not that on welfare; rather most of the poor in America are the working poor. Within this population of minimum wage workers, 42% of these individuals are 25 years old and older (Newman, 1999, p. 41). Billingsley defines the working poor as “families headed by men and women who work regularly but for such low wages that they cannot escape poverty” (Billingsley, 1992, p. 48). Billingsley also reports that the numbers of working poor families are almost as numerous as the nonworking poor families. While these families demonstrate the proper work ethic by securing employment, the wages that they are paid for their labor are not able to sufficiently address the suffering and stressful existences that go hand in hand with living in poverty. The working poor consist of families where at least one member is employed, have median incomes below the poverty line due to low wages, and one-

third of working-poor families are husbands-wife families, while as many have working husbands and wives (Billingsley, 1992, p. 49). According to Newman (1999, p. 297), these individuals share mainstream, middle-class values concerning the dignity of work. Thus, they do not need an overhaul in values—being gainfully employed means as much to them as to the mainstream. Rather, these individuals need better opportunities to progress economically.

Inner city geographies are negatively stigmatized, and this contributes to the lack of business planting in these areas. Potential residents of disadvantaged inner city areas will shy away from these areas, believing that there is no market to sustain their enterprises in the central city. Michael Porter is well known for his research on the Inner City 100, which examines enterprises that manage to make billions of dollars in inner city communities each year. Disadvantaged inner city areas are most often located in zones that are supplied with public transportation and that are located near expensive real estate in prime locations within the city. Thus, in spite of the negative stigma of these areas, this makes them ideal areas to locate business enterprise. Newman (1999, p. 296) notes that some progress in investment into these “domestic war zones” has been made as a result of federal empowerment zone programs that encourage private investment in these areas. Her research supports that of Porter as she comments on what we can do for the working poor: “...The key to long-term improvement in the quality of inner-city life lies in the economic revitalization of these neighborhoods through private investment, job creation in

private industry, and the facilitation of entrepreneurial activity. I would merely add to his list the effective, targeted support of government, which also is an important role to play in addressing the problems of the working poor” (1999, p. 296).

According to Danziger (1996), “The poor are not the victims of failed welfare state policies, but are suffering from economic changes that have reshaped our economy and diminished the prospects of the underclass, the working poor, displaced factory workers, and downsized white-collar managers.” If we consider, then, that the major contributions to constructing the current inner city situation are overwhelmingly economic in nature, we must look to an economic-based solution in order to begin to alleviate the existing social problems of these urban areas.

CHAPTER 6

The Necessary Solution: Business Incubation

“In a society dominated by the entrepreneurial spirit—where private business ownership is at the center of the national ethic and where private business provides most of the jobs, most of the wealth, and most of the political influence—it has been argued that the absence of a strong entrepreneurial class among African Americans has been a crippling condition” (Billingsley, 1992, p. 290).

The American political system has implemented its share of policies and programs to assist the inhabitants of distressed inner city areas, but these solutions have proven to be ineffective in remedying the socioeconomic dislocation of the people who are faced with negotiating the day to day challenges of these living in these areas.

There are two viewpoints from which a comprehensive solution for the lack of economic opportunity in disadvantaged areas can be approached: liberal or conservative. In addition to emphasizing the need for progressive social change usually through the development of government programs to open the opportunity structure, liberals also tend to trace the fate of the disadvantaged back to problems of discrimination and social-class subordination. In contrast, conservatives promote the idea that government programs have adverse effects on individual or group behavior and initiative, stressing the importance of a difference in group values and competitive resources (Wilson, 1987, p. 5). Policies, therefore, introduced by each

of these respective groups are no doubt influenced by their ideological platforms, and, depending on the orientation of the policy maker, can have an adverse effect on the very population that legislators are attempting to restore. Further, as both camps represent two extremes on an ideological continuum, it will be no small challenge to introduce a policy solution to which all are amenable.

Past Policy for Disadvantaged Communities

Public policies designed to assist disadvantaged communities in the past including the Great Society and other social welfare programs have been self-defeating. Critics of these policies argue that they resulted in making people less self-reliant, promoted joblessness, and contributed to the rise of out-of-wedlock births and female-headed families (Wilson, 1987, p. 16). Critics also argue that the policies that evolved out of the civil rights movement that benefited more educated, more advantaged blacks but not those who Wilson labels “the truly disadvantaged” (1987, p. 10).

Several policy solutions that have been presented in the past for the revitalization of depressed inner city areas were ineffective in accomplishing their purpose. For example, welfare policies do not directly address the need of the inhabitants in these communities. Such legislation tends to serve as only a temporary solution that addresses the problems of the residents of the community for a limited amount of time. With recent legislative decisions, after these individuals have been on welfare for the maximum time allowable, the heads of these families

are forced to go back out into poverty-stricken neighborhoods to find employment to provide for their families. Thus, while welfare is a quick fix to a massive problem, much like a topical band-aid is to a deep puncture wound, its effects are only to temporarily mask the larger problem at hand—the economic dislocation of the inner city community. Another example of a policy that did not work is job training. Part of the reason why these programs were unsuccessful was that individuals were often only given basic training that would qualify them for entry level jobs, and employment within these businesses still did not pay a livable working wage for the positions that these trained workers held. This coupled with discriminatory hiring practices that prevail in the inner city led to another failed federal program.

Application of Wilson's Universal Approach

Wilson (1987) “establishes a case for moving beyond race-specific policies to ameliorate inner-city social conditions to policies that address the broader problems of societal organization, including economic organization; and advances a social democratic public-policy agenda designed to improve the life chances of truly disadvantaged groups such as the ghetto underclass by emphasizing programs to which the more advantaged groups of all races can positively relate” (p. viii).

I favor Wilson's approaches in the search for a more universal, economically based solution. He writes, “...problems that fall heavily on much of the black population but require solutions that confront the broader issues of economic organization are not made more understandable by associating them directly or

indirectly with racism” (1987, p. 12). It is my opinion that the use of the term “racism” is such an ambiguous, nebulous term that its use when devising policy solutions will almost always be challenged, adding an unnecessary air of confusion to an already difficult subject. In light of this consideration, I will steer my arguments away from a more race-specific argument in favor of a more universal solution that deals primarily with the economic structure and socioeconomic status of the community at hand. This is not to say that the group of focus, blacks, will be excluded, for the community being studied, the underclass, disadvantaged community is becoming increasingly associated with blacks in America.

In *The Truly Disadvantaged*, Wilson writes, “The hidden agenda is to improve the life chances of groups such as the ghetto underclass by emphasizing programs in which the more advantaged groups of all races can positively relate” (1987, p. 120). He further elaborates, “I believe that many of the problems plaguing the truly disadvantaged minorities in American society can be alleviated by a program of economic reform characterized by rational government involvement in the economy. I have in mind a general economic policy that would involve long-term planning to promote both economic growth and sustained full employment, not only in higher-income areas but in areas where the poor are concentrated as well. Such a policy would be designated to promote wage and price stability, favorable employment conditions, and the development and integration of manpower training programs with educational programs” (1987, p. 121). Upon reading this, I

immediately recognized that business incubation programs are well suited for the type of program that Wilson describes.

First, the more advantaged groups of all races will be able to positively relate to business incubation programs because it allows the disadvantaged to exercise some initiative in the development of a business idea. The more advantaged group undoubtedly favors the rewarding of initiative, and for this reason these groups would be more likely to support such a program over one that merely offers a handout to the underclass community. The more advantaged populations themselves can relate to start up and business expansion process, as this is a process that many of them witness and even aspire to do in their daily lives.

Second, the government is able to become rationally involved economic development through business incubation programs. With an investment in a program that ultimately results in the creation of jobs and wealth for the local, state and federal economies, legislators will be able to more easily justify the allocation of tax dollars to support such a program.

Next, long-term planning to promote economic growth and full employment are exactly what make incubators so appealing to communities that desire to build a stable, home-grown economy. Businesses are not birthed in a matter of days. With extensive capital raising and business planning, businesses often experience slow, steady growth, employing a small numbers of employees that increase with the scale of the enterprise. Micro enterprises employ the majority of employees in the United

States and are an ideal way to develop full time employment opportunities. Further, the slow, steady growth of these enterprises and the organizations that incubate them can be placed in any community, from underclass to upper class areas. Even more, incubated businesses can promote wage and price stability and favorable employment conditions.

Finally, incubation integrates manpower training programs with educational programs by combining its business training programs with its entrepreneurial development programs for people of all ages, races and classes.

The balanced economic growth that small businesses afford a local economy creates a virtual security net for larger corporations that may employ thousands numbers of people. When these companies experience economic downturns, they will often have massive layoffs, consequently sending a shockwave through the community's economy. Small businesses serve as a buffer against these shockwaves that may occur—in essence, they balance out the local economy.

An Effective Solution: Economic Development through Enterprise Formation

Wilson writes that “the sources of current problems in the inner city are exceedingly complex and that their amelioration calls for imaginative and comprehensive programs of economic and social reform that are in sharp contrast to the current approaches to social policy in America, which are based on short-term political considerations” (1987, p. 30). For this reason I recommend a long-term

solution that may not yield immediate results but that is an enduring means to reach an economic development end in a creative fashion.

I hold the position that business incubation is both imaginative and comprehensive in its approach to economic development.

I am of clear understanding that there is no one solution that will address all of the socioeconomic ills of minorities in the disadvantaged community, but I would like to address one component that, when joined with the aforementioned economic development incentives, is sure to prove itself to be a large part of the solution that legislators have sought after for some time—entrepreneurial enterprise formation.

Billingsley writes, “...the stability, viability, and productivity of African-American family life depends heavily on the functioning systems of the larger society, to the extent that they are sensitive to and supportive of the aspirations—to include providing empowerment—to the black community generally. Primarily among these are the political system, the economic system, and the educational system” (Billingsley, 1992, p. 123).

In order to revitalize inner city communities, the support of larger society, namely government organizations, is indeed necessary. This support may be extended in the many forms, but the most effective form of support is that of capital infusion into community efforts that focus upon the creation of wealth creating enterprises. Again, I shy away from Billingsley’s use of empowerment, as I believe that by definition, blacks are already legally “empowered” to engage in economic

activity in America. Rather, what this group needs is what Billingsley has duly noted as a society that is sensitive to and supportive of the black community, namely when it comes to discussions of how to effectively promote wealth-creating business enterprise.

Though this dialogue is necessary, business ownership is rarely discussed as a necessity for the revitalization and the success of predominantly minority, distressed communities. However, when this topic is discussed, it is usually within the context of one pointing out that a business class is absent from the distressed community in contrast to white mainstream communities of higher socioeconomic standing. Billingsley cites economist David Swinton regarding black business ownership: “Swinton reported that the relatively low level of black ownership of wealth and business enterprises constitutes the major cause of the huge disparities between black and white economic well-being. This ownership factor ranks far ahead of the problems of black employment and earnings” (in Billingsley, 1992, p. 288). While the focus of many organizations that advocate for the black community has often focused upon earnings disparities between whites and blacks, Swinton highlights that there is a more critical issue that deserves our attention. Plainly stated, this issue is how whites greatly outnumber blacks when it comes to ownership wealth-creating business enterprises.

There are some public leaders who openly recognize and advocate the importance of creating enterprises in minority communities. In a Howard University

commencement address, Washington Mayor Sharon Pratt Kelly encouraged students to look beyond the “secure base of work for the federal government, which has served the community well in the past, to a new era of ownership.” Later, she further professed her belief in the entrepreneurial potential of black families and communities: “She believes that the entrepreneurial talent is present in the African-American community and that the task of leadership is to create the opportunity structures, support systems, and incentives necessary for expansion. She has committed her administration to give leadership in this direction because she sees the value of such ownership to the stability of family and community life” (Billingsley, 1992, p. 290). This is the type of support that will necessarily help to establish the development of minority-owned enterprises in inner city areas.

For a number of years, economic development through small business formation has served as a common rallying point—the common theme that has brought together minority advocates, labor leaders, business leaders, corporate leaders, the civic community—everyone working towards a particular theme. Further, it has proven to be a good strategy for advancing the community as well as bringing people together for the social advancement of the community. These alliances tend to point to the development of small business through self-employment as the most viable means of promoting the socio-economic development of disadvantaged communities. A recent research report prepared for the International Labor Organization concluded “on balance, public support for self-

employment as a socio-economic strategy for promoting employment and self-sufficiency appears to be justified, provided that appropriate supports are provided for individuals seeking to enter self-employment” (Messenger and Stettner, 2001).

In *Black Wealth, White Wealth*, Oliver and Shapiro (1995) propose solutions to promote asset formation in the Black community in order to reduce the racial wealth inequalities that exist in the United States. They promote that the role of the black community in accomplishing this goal includes three components: 1) networking; 2) rotating credit associations (financing); and 3) business development programs. Oliver and Shapiro is one team among many that propose the development of small business to be the solution to the economic and social ills of the black community.

While some may attempt to apply the standard small business development practices of the mainstream to these communities, it is important to note that blacks face unique and diverse social and economic circumstances when compared to those that Whites face. Therefore, it is necessary to develop a solution that is also unique to the needs and circumstances of the black experience in order for the solution to be an effective one. For economic development proponents that desire to apply a one-size-fits-all template to addressing the black community under the notion that race does not matter, Cornel West best captures the importance of race-specific solutions when he notes that “race matters when the subject is wealth.”

Black business owners have been the subjects of much public policy debate regarding business assistance programs as a path to economic development (Butler and Greene, 1997). Diversity must be recognized, and each specific population must be served in a particular way. For example, when working with welfare recipients, low-income or chronically unemployed entrepreneurs, business development programs must often address such problems as childcare, housing and transportation issues. Helping impoverished communities become self-sufficient through self-employment is indeed a complex endeavor (Servon, 2001).

“New relationships between the public and private sectors—especially among business, government, and academia—are having far-reaching consequences on the way we think about and take action on economic development” (Smilor et al., 1988; Adams & Glickman, 1980; Brooks et al., 1984; Ouchi, 1984). In light of these new relationships, it is necessary to alter the strategy and tactics of economic development for maximum benefit, as the opportunity exists for members of the black community to play a major role in the economic development strategies of not only their local provinces, but on a state and national level as well. This is especially true in the context of the black community, as black business owners largely do not benefit from community resources, and their business practices and outcomes differ accordingly.

Empowerment Incubators for the Revitalization of Urban Areas

According to the NBIA, there are two principles that characterize effective business incubation. First, the incubator aspires to have a positive impact on its community's economic health by maximizing the success of emerging companies. Secondly, the incubator itself is a dynamic model of sustainable, efficient business operation (NBIA, 2002). It is for these reasons that I promote business incubation, to be precise, the planting of empowerment incubators in inner cities, as a tool for community development and revitalization.

Research has documented the existence of large numbers of low to moderate-income entrepreneurs. The majority of these individuals are microentrepreneurs, (defined as someone who is either self-employed or is a business owner with five or fewer employees). Unfortunately, the livelihoods of many of these individuals are threatened, as they face issues that are common to the entrepreneur including lack of access to capital, technical assistance, networks, and resources that are often made available to businesses in the mainstream. One research study reports that out of an estimated 13.1 million microentrepreneurs in the U.S., 10.8 of them have never received a bank loan for their business. Additionally, estimates drawing on U.S. Department of Commerce survey data and other sources indicate that as many as 2.3 million of these entrepreneurs are low-income (Edgcomb, 2002).

As plainly stated by one empowerment incubator representative, Michael Bryant of the Beaver Street Enterprise Center, "The problems facing the inner city

are economic. There's not enough money there, and that's the root of a lot of other issues" (Gibbons, 2002). Clark and Minor hold the belief that, "As the recession worsens and the government becomes increasingly indifferent to the need of the black business community, business incubators may be the best way for black entrepreneurs to not only survive but thrive and prosper" (2000).

Ted Von Cannon, President of the Metropolitan Development Board in Birmingham, Alabama states, "There are only three ways to create a job; 1) attract companies from outside the area 2) expand existing industry within your area 3) new start ups" (Five Year Business Plan of The Entrepreneurial Center). The solution proposed in this research is focused upon this third aspect of job creation, and subsequently economic development: new start-ups.

Table 2. Black-Owned Firms in the United States, 1982-1997

Type of Firm	1982	1987	1992	1997
All Firms	308,260	424,165	620,912	780,770
Firms with paid employees	37,741	70,815	64,478	93,235
Number of employees	121,373	220,467	345,193	718,341
Annual payroll	\$948,108,000	\$2,761,105,000	\$4,806,624,000	\$14,322,312,000
Sales and receipts	\$5,704,545,000	\$19,762,876,000	\$22,589,676,000	\$56,377,860,000

Source: U.S. Bureau of the Census, Survey of Minority-Owned Business Enterprises, Black, 1982, 1987, 1992, and 1997

Table 3. Top Wealth-Creating Assets in the Black Community, 1984-1988

Asset	Percentage Households Owning 1984	Percentage Households Owning 1988
Motor vehicles	65	65
Interest-earning assets	46	46
Own home	44	43
Regular checking accounts	32	30
U.S. Savings Bonds	7	5
Rental property	7	7
Stocks and mutual funds	5	7
IRA or KEOGH	5	7
Other rental estate	3	4
Own business or profession	4	4
Other assets	2	1
Total households	9.5 million	10.3 million

Source: U.S. Bureau of the Census, Current Population Reports, Household Economic Studies, 1984, 1988.

Addressing Obstacles to Black Business Success

Blacks have had a richly documented history in entrepreneurship and self-help since the 1700's (Butler, 1991). The black church and other religious groups have been well documented in their efforts to stimulate the development of black-owned enterprises through training and other support mechanisms (Fratoe, 1986). Butler (1991) extensively researched the tradition of trust and self-help among black Americans as they established successful business enclaves from the late 1700's through the 1950's, making them less financially dependent upon the white establishment to meet their financial needs.

When minorities are excluded from jobs in the mainstream society, an increase in small businesses in minority communities occurs (Aldrich and

Waldinger, 1990). Even during these times, the black community faced challenges in the development of new enterprise, operating under laws that kept them confined to their own communities, prohibiting them from engaging in business practices in the mainstream community. Since these enterprises were forced to move from the central business districts, the development of a one-race market for black businesses occurred. As a result of this displacement, a significant decline in the number of black enterprises occurred, and eventually, black entrepreneurs were completely removed from the competitive marketplace. This process that limited the activity of Blacks is referred to as “economic detour,” for as a result of laws that hindered their entrepreneurial activity, many of them lost the tradition and practice of entrepreneurship (Butler, 1991).

Over time, as opportunities for integration became increasingly more commonplace, and these individuals who were once forced to make their livelihood by working in their own enterprises began abandoning their own enterprises for the opportunity to work in the white establishments of the larger society.

The Civil Rights Movement was also a major factor in encouraging the integration of those in the black enclaves to participate in the larger economy by doing away with the de jure discrimination that previously kept the black population relegated to working in their own enclaves and enterprises (Butler, 1991).

Much of the explanation for the lack of large, financially viable businesses within the black community today has to do with the types of support networks

available to inhabitants of the black community. Bates (1985) proposes that the modern state of minority entrepreneurship is a result of several intersecting factors, including limited access to financial capital, education and training, and society's perceptions of appropriate roles for minorities.

A major obstacle to development of thriving firms within the black community is closely tied to the lack of financial resources available to these communities. Reynolds (1991) describes the dominant theme underlying minority entrepreneurship as blocked economic opportunities in the majority society. Currently, most black small businesses must seek monies outside of the black community to finance their ventures, as the black community does not possess the financial wherewithal to provide assistance to the small businesses in their areas (Butler and Greene, 1997). Faced with this obstacle, many black entrepreneurs will utilize their own savings if such exists, borrow funds from family members, and seek other resourceful ways to acquire funds to start-up and maintain their enterprises. Without access to such resources, the probability of birthing and growing a healthy business enterprise is indeed miniscule.

However, the ability to acquire the necessary business financing outside of the minority community is essential to an entrepreneur's growth and long-term success (Rhodes and Butler, 2001). Bates (1989) found that 26% of blacks who borrowed from banks had larger businesses with higher success rates than blacks who did not borrow from banks. Obtaining funds from these formal and traditional

lending institutions, however, can be riddled with challenges for the black entrepreneur. Chen and Cole (1988) reported that black firms faced the greatest discrimination of any race or ethnic group from banks. The exception to this occurrence was when minority financial institutions were actively competing for black clientele (Rhodes and Butler, 2001).

Another obstacle to the success of viable small business development within the black community is the lack of innovation and the narrow scope that tends to keep black businesses small, catering to members of its own racial group, and operating within the confines of its own black community. It is accepted wisdom that the connection between innovation and national wealth has long been a given, and that innovation plays the key role in economic growth (Mahdjoubi, 1996). The basic and popular Linear Model of Innovation traces the path of basic research to applied research, to development, to commercialization (Mahdjoubi, 1996). Following the steps of this process may be difficult without an adequate support system to provide the research resources and facilities, know-how networks, opportunities to apply the research, tools and outlets for development, and guidance for commercialization.

Because of a lack of sufficient support systems, networks and facilities for blacks to effectively engage in the innovation process, they have not traditionally been able to compete with the mainstream business class, instead opting to build small businesses in the traditional retail or service sector. Thus, entrepreneurial

blacks have lacked the competitive advantage in the business world due to the barriers that exist for them to engage in the innovation process.

Supportive Measures: Taxpayer Funded Business Incubation and Empowerment Zones

There are two measures in particular that could facilitate the creation of effective business incubators in distressed urban areas. These measures work in concert, addressing two critical elements that could determine the success or demise of an inner city business incubation organization. The first measure, taxpayer funded business incubation, addresses the crucial element of financing for the incubator enterprise. The second measure addresses the legislative component, to be exact the designation of these inner city areas as Empowerment Zones or Enterprise Communities.

Taxpayer Funded Incubation

A proposition for the implementation of empowerment incubators as tools for inner-city development might seem like a panacea for the economic and social ills of the distressed community, but how could they be constructed? Which entities would fund them? Economic development proponents might suggest that the monies to build and maintain these incubators come from taxpayer monies. It is not a foreign concept to consider that taxpayer monies might be the best resource to support the incubators, for taxpayer funded incubators have fared well in the United States.

Those familiar with the incubator industry remember the somewhat recent technology boom that saw privately funded technology incubators sprout up across the country. These incubators, all searching for that multi-million dollar idea engaged angel investors, venture capitalists, and recent dot com millionaires in constructing technology labs that would lead to the next level of innovation and multiply their riches. However, many of these privately funded for-profit organizations did not experience the longevity that government-supported business incubation programs saw. In a somewhat surprising contrast, “Most of the for-profit incubators tanked. Meanwhile, taxpayer-funded incubators... are either raising their profile or demonstrating their worth and managing to avoid the chopping block in tough times. Critics may see a misguided siphoning for tax dollars. But, like the Energizer Bunny, they just keep going and going” (Terry, 2002). Research conducted recently by the federal government also revealed that for every \$1 invested in business incubation, \$3 to \$5 is returned to public coffers in tax revenue.

Perhaps the reason for the longevity differential that tends to exist between the public and the private sector incubators has much to do with the founder’s motivation for building the incubator program. While private incubators are usually formed as a way of maximizing the return on investors’ monies, public incubators are usually formed as economic development tools that are designed to promote a healthy local economy through wealth-creation, job formation and community revitalization.

These same incubators also bring a tremendous return on investment in terms of job creation when comparing the numbers created by incubator companies and those created through other economic development programs. According to David Lewis, regional economist and senior research fellow at Rutgers, the cost to create a job for an incubator company is \$3,000, compared with \$40,000 for jobs created from traditional industrial recruitment strategies such as corporate relocation loans and tax abatements (Terry, 2002).

Empowerment Zones

According to the Municipal Research and Services Center of Washington, “The Empowerment Zones and Enterprise Communities (EZ/EC) is a Presidential initiative designed to afford communities real opportunities for growth and revitalization. Its mission: To create self-sustaining, long-term economic development in areas of pervasive poverty, unemployment, and general distress, and to demonstrate how distressed communities can achieve self-sufficiency through innovative and comprehensive strategic plans developed and implemented by alliances among private, public and nonprofit entities” (MRSC, 2002). This initiative focuses on 72 urban sites across the nation that have been provided with financial and other support for community-based economic development. The EZ/EC initiative has served to highlight efforts to revitalize inner city community by fostering and targeting community investment and lending. In 1994, the federal

government allotted \$2.5 billion in tax breaks and \$1.3 billion in grants to help attract businesses into depressed urban areas (Newman, 1999, p. 273).

There are a number of incentives that can be enacted and utilized in empowerment zones to spur business and economic development. Empowerment Zone banks and branches can provide special loans and lines of credit to small businesses in the Zone as well as encourage businesses in the Zone to hire residents by offering loan forgiveness for such efforts or by making such hiring a condition to the loan. For example, Oklahoma offers state income tax exemptions for incubators up to 10 years from their inception in addition to exempting client businesses of incubators from state income taxes for three years (Kearns, 2000). In addition to state and local tax breaks and low-interest loans to businesses, Birmingham City Councilman Elias Hendricks suggests land banking opportunities, where the city might acquire vacant properties and offer them to tenants at a low cost as another option (Putnam, 2002).

HUB Zones should also play an integral part in economic and community development in distressed areas. According to the Municipal Research and Services Center of Washington, the purpose of the HUB program is “to provide federal contracting opportunities for certain qualified small business concerns located in distressed communities in an effort to promote private sector investment and employment opportunities in these communities. Fostering the growth of federal contractors in these areas and ensuring that these contractors become viable

businesses for the long term will help to empower these areas while not adversely affecting recent efforts to streamline and improve the federal procurement process” (MRSC, 2002).

The Urban Enterprise Zone program became popularized in America as the federal legislators began to eliminate or drastically cut existing programs that had been implemented to revive communities in the inner city. One characteristic of these zones that carried widespread appeal was that these new enterprise-based approaches clearly stressed that they would not be costly in terms of government taxation and regulation. The Urban Enterprise Zone program reduces the role of the federal government by providing funding through tax incentives rather than through grants, and in addition, the program stressed the development of small business to revitalize the community (Haar et al., 1983). After noting that the mere designation of an area as an urban enterprise zone, an early study by Haar et al. recommended the following: federal funding should be made available for infrastructure improvement, a source of venture capital should be provided through tax policy, technical assistance should be provided to zone businesses, and zones that work with established neighborhood groups should be favored (1983). Veasey and Horton (1986) find that business incubator facilities within urban enterprise zones are seen as tools that enhance the partnership aspect of enterprise zones.

In addition to Federal enterprise zone programs, some states have even launched their own zone initiatives to spur inner city redevelopment through small

business creation. For example, urban enterprise zones in Connecticut receive an 80% property tax abatement for 5 years, with the State repaying the city 75% of the loss (Haar et al., 1983).

Green and Brintnall give several criteria for assessing the cumulative impact of enterprise zones. Effective enterprise zones are judged according to: 1) the extent to which they emphasize a freer marketplace to meet public need rather than greater government intervention; 2) the extent to which they emphasize entrepreneurial opportunities rather than a government focus on preconceived needs along which entrepreneurs would be directed; 3) the extent to which they create incubator environments for small, new ventures rather than relocating existing ones; 4) the extent to which the zones focus on business creation and growth rather than a more diversified social agenda (1986). Enterprise zones have produced notable results in areas where the programs have been implemented.

Newman reports that New York City has developed 37 of Business Improvement Districts, or BIDs to enhance the physical surroundings of commercial neighborhoods. She writes, “Business improvement districts are self-taxing organizations that bind proprietors together in small, geographically contiguous areas. In New York City, BID annual budgets range from \$100,000 to more than \$1 million and are typically used to hire security officers, maintain garbage pickup, and provide other sidewalk services within a BID’s boundaries” (1999, p. 286).

Sparks (1986) suggests that “an integration of Federal, State, local and private activities that are embodied in enterprise zones will continue to be encouraged and that the zones should achieve the desired results if they are carefully blended with other programs addressing the investment climate of their target areas.”

Potential Impact of the Incubators in Distressed Communities

There are three elements that make the business incubator the natural solution to the challenges of business development within today’s black community. The effective business incubator pulls together 1) the entrepreneurial training, 2) the financing, and 3) the networking aspects of small business development that are essential to the birthing and nurturing of micro enterprises. According to Bates (1996), entrepreneurs need sufficient education, appropriate work experience and training, be frequent borrowers of capital, and be more leveraged in order to produce enough revenue to survive. The business incubator concept encompasses these ideas and more, as it seeks to be a “one-stop shop” for all of the entrepreneur’s small business needs.

Benefits the local economy. Auster’s (1988) research that examined black and white business owners in three urban areas sought to describe the characteristics of both the owners and the businesses. Her research concluded by suggesting public policy implications that would increase funding and business training to black business owners, for these strides would have the potential for improving the profitability of their businesses, and consequently, the underlying problems of the

urban neighborhood. Business incubators necessarily offer such funding and business training. One of the major benefits that business incubators offer is the opportunity for the entrepreneur to expand beyond establishing a small scale service venture to establishing an innovative product or service to create a more lucrative enterprise. These more lucrative opportunities necessarily translate not only into the creation of wealth for the entrepreneur, but the local economy as well. With the added economic benefits flowing into the local economy, regional, state, and the national economy are sure to benefit as well. For example, new businesses within a community enables people to spend more money in their community, and it increases the number of times that money “turns over” in the community before it leaves or is spend outside of the community (Else, 2001). In revealing that black-owned businesses in originated about \$13.8 billion in receipts in 1982, Billingsley writes, “The question is, how are these funds utilized and invested? To what extent do they turn over in the African-American community before going out again? Indeed, it is in the utilization of such capital accumulation to build strong independent black institutions and simultaneously to build strong independent reciprocal connections with the larger society that such income generation holds promise” (1992, p. 289).

Neighborhood effects. Additionally, small businesses have a tremendous effect in neighborhoods. Harvard Professor Michael Porter created with Inc. Magazine the Inner City 100 to recognize and acknowledge the contributions of small businesses that are reshaping inner city areas. Porter’s research reveals that

there are almost a trillion dollars, \$920 billion dollars of disposable income in central city areas that small businesses are tapping wisely across the country. Porter refers to this phenomenon as the next emerging economy. Even as we think of emerging markets in foreign countries, right within our own nation is a tremendous capacity for business advancement and for small businesses in central areas (Cisneros, 2002).

Institution-building. If successfully formulated, business incubators carry the potential for Blacks to continue in the tradition of black entrepreneurs during the early 20th century. Research has demonstrated that the self-employed black community of the early 1900's was responsible for building early African-American communities, constructing over 200 private schools throughout the south (Butler, 1991). As a result of these schools established by the black business class, the tradition of college matriculation began among African Americans.

Community Capital. There is also evidence that micro enterprise development or entrepreneurship increases community capital because the participants are personally empowered. These programs increase the self-confidence of their participants, increase their financial stability, improve their quality of life, e.g., their housing situation, their relationships with their families, and their health, and they become more actively involved in their communities (Else, 2001).

Community Leadership. The independence that is garnered from being a small business owner is critically important as well in creating leadership for the community. Out of the small business base come individuals who are not primarily

ideological. That is to say, they are not liberal or conservatives or Democrats or Republicans. Rather, they are just “good citizens,” and they desire to participate in the workings of the community. They bring common sense, they meet a payroll, they are responsible entrepreneurs, and as a result of their business independence, they have the time to give back to the community. In a consideration of who serves on school boards, who serves on zoning commissions, planning commissions, city-appointed bodies, and all of the other areas where the services good, smart individuals who can give back to the community are required, it is clear that an extraordinary number of them come from the small business base. These individuals composing the small business class are the backbone of communities (Cisneros, 2002).

Social Capital. Another kind of community impact is the social capital that accompanies the creation of these small business enterprises. The forms of social capital created can be divided into four categories: micro enterprise development organizations build coalitions of community institutions; participants form mutual support systems; participants connect with business development resource networks; and participants are personally empowered and their well-being is enhanced (Else, 2001).

Job Creation. Last but not least, incubators create enterprises, which create jobs, and according to the Small Business Administration Office of Advocacy (1994), small business continues to be an important source of employment in the

United States. At the end of 1993, 53.7% of all employment in the United States was in firms with fewer than 500 employees.

CHAPTER 7

Methods

Deconstructing Business Incubator Organizations: The Reverse Design Process

University of Texas at Austin's Dr. John Sibley Butler has developed an innovative exercise entitled "The Reverse Business Plan" in which students are instructed to choose a company and deconstruct it into its business plan parts utilizing its history, public records, published literature, interviews, etc. This reverse business plan exercise is beneficial in academia because students have the opportunity to take a successful company, break it down into its component business plan parts, and study each part carefully to discover what actions and aspects made the company successful. By taking part in this deconstruction process, students are able to reconstruct the development process of company and identify the characteristics and practices that had the most impact on making it successful. Thus, when the students begin the process of constructing business plans for their own ventures, they are able to duplicate the processes of these business plans, utilizing only the most valuable and effective aspects of the plans that they have researched in order to reconstruct a "more perfect" business plan of their own.

This deconstruction model has been equally useful in the design process in fields such as engineering. According to Mahdjoubi, "Reverse engineering involves trying to manufacture legally a product similar or superior to one already available on the world market..." (1996). By deconstructing a product into its component

parts, an engineer is able to identify which of these parts is most effective and efficient in fulfilling the function of the product. Components that do not meet the criteria for effectiveness and efficiency are then replaced by newly designed components that do meet the criteria, and the product is then reassembled and remarketed as either a brand new product or a new and improved one. This process is widely referred to as one of the main processes of innovation, as “successful innovation... is often not so much a matter of invention (as a patent examiner might define invention) as it is a matter of design, in the sense of trying to devise a product or process that will achieve a desirable cluster of performance characteristics...” (Mahdjoubi, 1996). Thus, the reverse engineering model, much like the reverse business plan model, allows one to achieve the goal of combining a desirable cluster of performance characteristics into a product or process. Redesigns are essential to ultimate success according to Mahdjoubi (1996).

Though these two examples serve as the springboard for understanding the reverse process design, it is important to appreciate that such a design is not limited to business plan development or engineering. Rather, it is a broad reasoning that is able to be applied across many other academic and professional disciplines. As a demonstration of the fluidity of its use, I will employ this reverse process in my research surrounding the business incubator. Eventually, learning through these reverse processes will become at least equal in stature to the pursuit of original knowledge in academia (Mahdjoubi, 1996).

Just as reverse engineering “requires understanding of the basic mechanism behind products and the skills to copy, imitate, adapt and assimilate” processes, the same is required for a newly designed conception of the Black business incubator. The principles of reverse processes are crucial in the design of Black incubator development, and these principles will be utilized as I deconstruct primary and secondary incubator research in order to reconstruct an underlying theory for a more effective and innovative Black business incubator.

While effective and impacting incubators exist, many of them evolved into such organizations as a result of a top-down design, evolving and maturing as they went along. The reverse design process takes a detailed, comprehensive look at the successful incubator, deconstructs it and composes a blueprint so that its success can be duplicated. Most importantly, the blueprint will be based on in-depth research, conscious forethought and introspection instead of the daunting limits of trial-and-error experience (Otto and Wood, 2001, p.12).

Research Methodology

After a thorough review of existing literature, I engaged in rigorous travel to a number of different incubators that would be considered for all practical purposes “empowerment” incubators taking tours and conducting interviews at the different program sites with the incubator managers. I also interviewed academicians, recognized experts in the incubator industry, and business owners who have benefited from participation in incubator programs. I endeavored to visit as many

different empowerment incubators and to interview as many industry experts as my research timeline would allow in order gathering a wide variety of perspectives about “empowerment” incubators.

The data collection that guides this research includes the utilization of secondary resources as well as fieldwork for primary data collection. Essentially, I followed a standard engineering design approach by isolating major components of the incubators, understanding what is required as input, what is produced as output, and then establishing methods to repeatedly complete the activity (Otto and Wood, 2001, p.9) in an urban area. This research provides necessary perspective on differences in incubator design and operation processes and demonstrates the essential qualities that may be derived from a well-developed approach to incubator design and management. Efficient and effective organizations are not created accidentally.

First, I peruse the rich existing literature featured in journals, periodicals and textbooks to construct a theoretical model to develop a better understanding of the role of the business incubator in fostering business success and to research the background of the development of these organizations in the United States.

Next, I conduct extensive fieldwork on selected successful urban business incubators that have located themselves in predominantly-minority areas throughout the United States. This sphere of my data collection included traveling to various incubator sites, interviewing the incubator director (the “influencer”) and tenants,

taking photographs of the incubator and its tenants, and gathering literature and other information about the incubator's origin, history, challenges, formulas for success, and best practices. Incubators were selected based on a number of different factors.

The data collection, both primary and secondary, is modeled after a modified version of a University of Texas at Austin junior/senior reverse engineering course. This course is structured according to the following phases outlined in Table 2. While the steps under the Adapted Incubator Research Design column are numbered, the steps may not be performed or presented exactly within in this order in the write-up.

Table 4. Adapted Incubator Research Design for Data Collection

Reverse Engineering Course Design	Adapted Incubator Research Design
1. Examine the product	1. Conduct background research on selected incubators
2. Develop a statement of global need/function	2. Define why such an organization is needed in the community and address its purpose
3. Use the product over its operating range	3. Address the full benefit of the incubator concept for surrounding minority community
4. Interview users of the product and present a summary of their most common likes, dislikes, and suggestions for improvements. Organize this list into prioritized customer need categories.	4. Interview incubator pioneers and champions to gather what they like and dislike, what they would offer as improvements
5. Compare the product to its competition in a qualitative manner (i.e., explain the advantages and disadvantages of the chosen product in relation to its competition)	5. Compare general incubator concept to alternative business development support systems
6. Develop a process description or activity diagram for the product	6. Map out general products and services offered by incubators and diagram its organizational structure
7. Predict how they think the product works (i.e., fulfills its customer needs)	7. Hypothesize about how business incubation will maximize small business development in the disadvantaged community

Source: Wood, et al., 2001. Reverse engineering and redesign: Courses to incrementally and systematically teach design. *Journal of Engineering Education*.

For the purpose of this data collection, the “product” represents the urban business incubator.

Next, I analyzed the collected data in my attempts to gain a better understanding of how and why these types of incubators are launched and how they grow and function. Like the data collection, the analysis was modeled after a modified version of a University of Texas at Austin engineering course. This course is structured after the phases outlined in Table 3. As with the data collection process,

while the steps under the Adapted Incubator Research Design column are numbered, the steps may not be performed or presented exactly within in this order in the write-up.

Table 5. Adapted Incubator Research Design for Data Analysis

Reverse Engineering Course Design	Adapted Incubator Research Design
1. Create a plan for disassembly	1. Decide which major incubator component parts to focus upon (i.e., funding, networking, facilities, etc.)
2. Disassemble the product	2. Code primary data collected into component parts
3. Create a bill of materials as disassembly proceeds	3. List component parts of incubator and place each part into a category (i.e., funding, networking, facilities, etc.)
4. Create an exploded view of the product	4. Diagram how each individual incubator is organized
5. Describe how the product actually works (fulfills customer needs)	5. Describe how each individual incubator operates, noting processes, systems, procedures
6. Compare the actual workings with the predicted	6. Compare each incubator's level of functioning with incubators in general
7. Describe what each part does, then abstract to get its functionality (with a careful eye towards multiple functions being fulfilled by one part)	7. Address the purpose and appropriateness of function of products and services offered
8. Include a qualitative and quantitative ranking of the product with respect to its competitors for each customer requirement	8. Quantitatively measure how many businesses have spun out of the incubator since its inception, number of products and services offered, and a number of other criteria
9. Conclude by indicating where opportunities exist to improve the product (according to customer requirements) and which of those opportunities the team plans to pursue	9. Conclude by indicating where opportunities exist to improve the functioning of the business incubator

Source: Wood, et al., 2001. Reverse engineering and redesign: Courses to incrementally and systematically teach design. *Journal of Engineering Education*.

Finally, I compile all of the collected data into a policy proposal and a list of recommendations that will serve to guide economic developers in the United States for the revitalization of distressed communities. This design will be ready for

immediate adoption by urban development experts who accept the goal of redeveloping and revitalizing the predominantly-minority distressed community both economically and socially. This component of the research proceeds according to yet another reverse engineering course structured after the design outlined in Table 4. Again, these steps are components and will not be completed in the order in which they are presently arranged.

Table 6. Adapted Incubator Research Design for Discussion and Conclusion

Reverse Engineering Course Design	Adapted Incubator Research Design
1. Decide, concretely, how you will achieve the improvement in question	1. Decide upon how to build the prototype or blueprint for the urban business incubator
2. Develop alternative concepts for effected subsystems	2. Develop alternative solutions to parts that are ineffective or that need improvement or further development
3. Choose concepts that maximize the improvements and justify your choices	3. Choose concepts that maximize the incubator improvements and justify choices
4. Develop design models of effected subsystems	4. Develop diagram of prototype for Black business incubator
5. Conduct design of experiments on the evolved product	5. Random survey sampling of entrepreneurs who are currently tenants in Black incubators about their opinions of the prototype
6. Revise bill-of-materials	6. List new component parts of incubator including facilities, products, services, networks, partnerships, etc.
7. Conclude about the entire reverse engineering effort	7. Conclude about the reverse design process

Source: Wood, et al., 2001. Reverse engineering and redesign: Courses to incrementally and systematically teach design. *Journal of Engineering Education*.

Data Sample

A list of incubators was comprised utilizing information located on the National Business Incubator Association (NBIA) website (www.nbia.org). I contacted the administrators at the National Business Incubator Association and

requested a listing of what the industry, namely the NBIA, identifies as “Empowerment Business Incubators.” These are business incubators who hold as one of their dominant missions the revitalization of impoverished urban areas.

Sarah Sapp, NBIA Membership Manager for The National Business Incubator Association replied in an e-mail that noted, “I would suggest contacting the following incubators... The Enterprise Center, Philadelphia, PA; Pasadena Enterprise Center, Pasadena, CA; CHARO Community Development Corporation, Los Angeles, CA.” She also advised that I could get information on these organizations through the “Links to Member Incubators” section in the Resource Center on the NBIA website.

Unsatisfied with this response, I contacted the National Business Incubator Association by phone to again inquire as to how I might secure a listing of the members of the NBIA that self-defined their organizations as “empowerment business incubators.” I was told by the NBIA that the member organizations were not classified into categories such as these and that I would need to browse through the website to examine the descriptions of the member business incubators and try to decipher which of these might fit the description of “Empowerment Business Incubator” on my own (see chapter on Business Incubators for definition of Empowerment Business Incubator). I proceeded to review the “Links to Member Incubators” section in the Resource Center at www.nbia.org state-by-state, reading through each incubator’s description (for those incubators that featured a description

on the site). After reading through hundreds of descriptions for member incubators, I was able to identify 12 incubators whose descriptions gave some indication that the organization endeavored to revitalize urban areas through wealth-creating entrepreneurial enterprise. The incubators that I identified included the following:

Entrepreneurial Center—Birmingham, AL

CHARO Community Development Corporation—Los Angeles, CA

FAME Renaissance—Los Angeles, CA

Pasadena Enterprise Center—Pasadena, CA

South DeKalb Business Incubator—Atlanta, GA

Fort Wayne Enterprise Center—Fort Wayne, IN

Whittier Emerging Business Center—Minneapolis, MN

EmPOWERment Inc.—Chapel Hill, NC

Shorebank Enterprise Group—Cleveland, OH

Oregon Association of Minority Entrepreneurs Center—Portland, OR

The Enterprise Center—Philadelphia, PA

Urban Ventures Inc.—Providence, RI

In order to narrow down the incubator sites at which I would be collecting data, I selected 8 of these 12 incubators to visit based on their geography and on mission statements that I was able to locate on their respective websites on the Internet. Thus, I selected the following 9 incubators to visit in order to collect data for this dissertation project:

Pasadena Enterprise Center—Pasadena, CA (January 12-14, 2003)

FAME Renaissance—Los Angeles, CA (January 14-17, 2003)

South DeKalb Business Incubator—Atlanta, GA (January 22-24, 2003)

Entrepreneurial Center—Birmingham, AL (January 29-31, 2003)

EmPOWERment Inc.—Chapel Hill, NC (February 3-5, 2003)

Shorebank Enterprise Group—Cleveland, OH (February 19-21, 2003)

Oregon Association of Minority Entrepreneurs Center—Portland, OR (February 26-28, 2003)

Urban Ventures—Providence, RI (March 5-7, 2003)

The Enterprise Center—Philadelphia, PA (March 19-21, 2003)

Two of these incubators, the Pasadena Enterprise Center of Pasadena, California and Urban Ventures of Providence, Rhode Island would not grant me permission to visit their incubator organizations. Pasadena Enterprise Center explained this decision by writing that she (the manager) had done these types of interviews before and that they never ended up benefiting her organization. As her focus at the time was fundraising, she felt that if these types of requests did not benefit her organization monetarily, she was unwilling to spend her time on them. The second incubator, Urban Ventures was not adamant in defense of his decision, but merely decided that it would not be a good idea for me to come visit his organization at this particular time. When I suggested that I was open to fly in anytime during a 4-month period, he held firm to his original decision, denying me

the opportunity to collect data at his organization. Thus, I was only able to visit 7 of the nine incubators listed above:

Pasadena Enterprise Center—Pasadena, CA (January 12-14, 2003)

FAME Renaissance—Los Angeles, CA (January 14-17, 2003)

South DeKalb Business Incubator—Atlanta, GA (January 22-24, 2003)

Entrepreneurial Center—Birmingham, AL (January 29-31, 2003)

EmPOWERment Inc.—Chapel Hill, NC (February 3-5, 2003)

Shorebank Enterprise Group—Cleveland, OH (February 19-21, 2003)

Oregon Association of Minority Entrepreneurs Center—Portland, OR (February 26-28, 2003)

Urban Ventures—Providence, RI (March 5-7, 2003)

The Enterprise Center—Philadelphia, PA (March 19-21, 2003)

Data Collection

Once I finalized the list of incubators that I would be visiting, I made initial contact with each one via telephone and e-mail address (see Appendix for initial contact letter). I obtained his information from the NBIA website which lists the contact individual for each incubator organization as his/her contact information. I worked with the contact for each incubator to arrange site visits, interviews with incubator directors and tenants, and tours.

I conducted preliminary background research on each of the incubator programs through a combination of examining their respective websites, searching

the Internet for press releases, and searching for any information that the Chambers of Commerce might have for each respective incubator's city. This information was carefully reviewed until I became familiar with the incubator program, and specific questions for each incubator leader were developed based on this background information in addition to the standard list of interview questions.

Upon arrival at each incubator location, I first personally interviewed the incubator manager or director. Interviews lasted from 1 ½ to 4 hours. I personally conducted each of these interviews utilizing questions from the listing of items located in the Appendix. Each interview was recorded with the interviewee's full knowledge and consent, and the interviewer also recorded written notes. Concluding these interviews, I then asked to be directed towards one of the main technical assistance providers in the incubator if one was present. This request was usually granted if the incubator employed this level of staffing. Finally, I toured each facility, taking pictures throughout the tour of the incubator spaces and their tenants, taking time to interview and audio record information from the incubator tenants along the way. For those sites that I was not able to visit, I contacted the individuals by phone to request an appointment for a telephone interview at a later time.

After a review of all relevant past research concerning business incubation in general and empowerment business incubation, I developed an interview protocol based on gathering information concerning the following domains: 1) incubator management, 2) program development and management, 3) financial considerations,

4) advice and opinions on successful business incubation. These interview questions would help to determine effective strategies for successful urban business incubation.

Data Analysis

The information for each incubator was analyzed in primary and secondary steps. I began primary analysis of the data collected from each incubator within 24 hours of collecting the information. This preliminary analysis included word-processing the handwritten interview notes and listening to and recording on paper critical portions of the recorded interviews. Additionally, I also carefully noted items of interest that stood out during my visit to each incubator in the Research Notes portion of each data collection sheet.

I began secondary data analysis after half of the incubator visits had been completed. First, I divided the components of the collected data into categories so that they could be examined across incubators according to several groups. For example, the “Available Services and Resources” data for each incubator was placed into its own section so that I could cross-reference the types of services and resources that each incubator organization offered to its clients. I could then make my determination in an organized manner as to which of these programs I deemed most effective to serve the special populations in distressed urban areas. This process was completed for a number of categories, as I carefully broke down every aspect of the business incubators products and services, processes, criterion, organizational structure, etc. and compared this information across incubators. Once

the components of each incubator had been analyzed, I utilized the most effective best practices of the most successful incubators to inform an original set of recommendations that will serve to be helpful for building and operating a community-revitalizing incubator in a disadvantaged urban area.

CHAPTER 8

Results and Analysis

According to Lawrence Molnar, director of the research program at the University of Michigan Business School, “the success of an incubator depends on its goals and objectives. An incubator purely for job creation should not be judged against one that exists for empowerment and hope or one for high technology” (Burger 1999). It is for this very reason that I chose to investigate only those incubators that engage disinvested urban areas and whose constituency is predominantly minority (misleadingly labeled as “empowerment incubators” in the literature). Each of these incubators was judged against not only its peers in their specialized industry, but also according to its own mission, vision, goals, products and services that were stated in its literature. Also, I omit The Entrepreneurial Center of Birmingham from the assessment, as its mission and goals are not targeted towards those shared by the remainder of the incubators surveyed. For more information on the findings of The Entrepreneurial Center of Birmingham, as well as each of the remaining data collection sites, please see Appendices 1-7.

FAME (First AME) Renaissance—Los Angeles, CA

Mission: To provide a comprehensive Entrepreneurial Development Program, empowering successful small businesses to create both jobs and wealth for our community.

The FAME Renaissance Center's Business Incubator program is a part of the Business Development Division of FAME Renaissance, which is an economic development initiative of The First African Methodist Episcopal (FAME) Church of Los Angeles, CA. The business incubator opened its doors in October 2000, though its business development program had been in operation for several years prior to this time. The nondenominational business incubator is one of few not-for-profit incubators in the country, and it is the first of its kind in California.

The Business Development Program of FAME Renaissance began operation in 1992, prior to its move into the 48,000 square foot facility it currently occupies. According to Whitlock,

Originally, we felt that we needed programs or industries that added value to our community, and one of those industries that we looked at was the finance industry, and the business development industry. And we were fortunate to receive grants from the Disney Corporation and the Department of Commerce. And so, those fundings led us to think a little deeper and that was to offer training to our constituents. It was not enough to have the money, but you needed to know how to manage the money that you have. So we began to look at funding loans as well as venture capital.

The FAME Renaissance Business Incubator was developed as a licensee in conjunction with the West Philadelphia Enterprise Center's Cities Beyond program, which licenses the development of incubator programs in accordance with its own

model across the United States for a paid licensing fee. When asked about what model the incubator used when developing its program, Whitlock explained, “We follow the same thinking of Nehemiah in the Bible—to rebuild our community—and to do that by partnering with the public and the private sector.”

Further, FAME’s business incubator has had a visible impact on the surrounding community, much to the pleasure of FAME and the community alike. When asked if he had observed any measurable turnaround in the community, Whitlock replies,

We’ve seen more cars in this community. We see more activity on this corner. We see—I used to see graffiti, no graffiti. We used to see prostitutes walking up and down the streets—no more prostitutes. We used to see drug dealers on the corner—they’re gone. We have more lights in this neighborhood, and the lights stay on until 11:00 at night, and that just blows any type of night activity... So yeah, we represent a new mindset.

South DeKalb Business Incubator—Atlanta, GA

Mission: The South DeKalb Business Incubator (SDBI) provides an educational and nurturing environment which helps facilitate growth and development of small businesses in their formative stages. SDBI seeks to aid in the creation and retention of job opportunities in the community through development and expansion of dynamic small businesses. SDBI encourages entrepreneurship and

promote the overall economic revitalization of the South DeKalb commercial business area.

The South DeKalb Business Incubator is a private, non-profit incubator organization that provides business development services in South DeKalb County. The site supports light manufacturing, domestic and international distribution, food processing, and construction contractor businesses. SDBI is the only mixed-use incubator in the Atlanta, GA area. It is also 1 of only 11 incubators in the United States with an on-site commercial kitchen. This incubator program is well known in its region, having received awards on the city and county levels for its program's successes. The program, located in a Federal Hub Zone, is a nonprofit 501(c)3 corporation and is a public/private partnership supported by the Federal Government, the State of Georgia, DeKalb County Government, Metro Area banks, Georgia Power, various schools, universities, and private businesses. The SDBI operates the Atlanta Minority Business Development Center on its premises. SDBI is home to 3 commercial kitchens, all of which are available for use by incubator clients. If residents from the community want to use the commercial kitchen, they must first be registered with the program's Incubator Without Walls (IWW) program. The South DeKalb Business Incubator has achieved notable, measurable results in its short tenure in the Atlanta area. In its impact statement, its tax impact on the area alone (federal, state and local) has made contributions of over \$1 million, 11 incubator graduates since 1995, and 42 new jobs for the South DeKalb community.

EmPOWERment—Chapel Hill, NC

Mission: To create an environment that is conducive to the growth and development of entrepreneurial enterprises by providing educational resources and opportunities, physical space, services, and support programs for emerging businesses. To stimulate growth in the local economy through job creation, development of products or services, and investment.

EmPOWERment, Inc. operates The Midway Business Center, Chapel Hill-Carrboro's first small business incubator. It has been in existence since December 2000. The Midway Business Center is an initiative to promote entrepreneurship by providing affordable office and retail space, business development services, and access to shared resources.

ShoreBank Enterprise Center—Cleveland, OH

Mission: To ensure that all Clevelanders benefit from our city's growing prosperity by increasing economic opportunities in traditionally underserved urban communities.

ShoreBank moved to Cleveland in 1994 to impact the disinvested empowerment zones of the city through investment in the community and in small business development. With over 50 companies and organizations and employing 200 people, ShoreBank's Enterprise Centers at Glenville and Collinwood have become economic centers in their respective neighborhoods.

According to the organization's literature, the presence of ShoreBank's business incubators "fulfill two important community needs; two previously unoccupied buildings were brought back online and over 235,000 square feet of office, studio, and manufacturing space was created to restore the economic momentum that had diminished in recent years." The incubator serves a variety of industry sectors between its two facilities, from service to carpentry to manufacturing. Non-profit organizations are granted entry into the incubators if they are able to pay the required rents for space and if they fit the organization's mission.

Oregon Association of Minority Entrepreneurs (OAME)—Portland, OR

Mission: To promote and develop entrepreneurship and economic development for ethnic minorities in the State of Oregon and work to reduce discrimination and racism.

Samuel Brooks founded the Oregon Association of Minority Entrepreneurs as a "community incubator." He wanted to unite groups to work together, because he found that minority businesses in the area were not working together as a community. In 1987, OAME started with 8 members, and today, the membership is over 600 African American, Asian, Native American, Hispanic American and European American members. OAME is a non-profit, tax-exempt organization formed to promote and develop minority entrepreneurship and economic development in the State of Oregon. OAME works in partnership with ethnic minority-owned businesses, entrepreneurs, other non-profit organizations,

educational institutions, federal, state, and local governments and established corporate businesses to create mutual relationships and a business atmosphere in which all Oregonians can profit. Though the organization caters to minorities, it is open to each and every ethnic group. In addition to offering business space for professional services, technology developers, and product suppliers, OAME also offers space for light manufacturing and food preparation with its commercial kitchen. Thus, the incubator would be classified as a mixed-use incubator. Since its presence in the community, OAME has witnessed very visible changes in its surrounding neighborhood. When they moved into the facility, the community was an unsafe place to live. Brooks comments that every neighbor to whom he has spoken has said that having OAME present in the community has increased their property value, and OAME's presence has brought to the neighborhood a higher political profile as well.

When we moved into this neighborhood, it was unsafe to say the least. Every neighbor has said that having us here has not only increased the value of their property, but has because our relationship with the mayor and city council we have very high profile... the police department uses our lot so that this is just a very calm area.

In addition to its location in Portland's Albina community, OAME also has a second incubator location, OAME Rockwood which is located in Gresham, Oregon. OAME lists the staff members scheduled to be at this newest

location on a daily basis to provide technical assistance in specifically designated areas.

The West Philadelphia Enterprise Center—Philadelphia, PA

Mission: To recruit, train, and nurture entrepreneurs and grow start-up companies in urban communities. We believe that the entrepreneurial spirit is the keystone of community growth and revival.

The Enterprise Center program offers “intensive coaching and training in the core areas of business development: sales and marketing, financial management, human resources, technology deployment and regulatory compliance.” Since 1999, The Enterprise Center has created 371 new jobs for the Greater Philadelphia area. Today, the incubator organization has gained widespread notoriety both in North America and internationally. In fact, the National Business Incubation Association recognized the organization as Incubator of the Year in 1999. According to the incubator’s literature, “The Enterprise Center takes business incubation to a new level by surrounding companies with a full-time team of business coaches. Our state-of-the-art facility, our ability to bring VIP visitors from the private and public sectors to your office door, and our emphasis on knowledge and networking combine to help you take your business much further, much faster than you may have dreamed.” The Enterprise Center has also experienced measurable successes in its surrounding community. To this question, Clark replies, “When we started here ten years ago, per capita income was probably \$9,000 and the last census I think per

capita income was \$13,000. We don't take all of the credit for that, but we think we've had some impact on it." Even more, the organization is helping to create both new businesses and a new breed of innovative and socially responsible urban leaders (July 2002 Press Release), as all of the incubator graduates have remained in Philadelphia with one or two of them remaining in the immediate West Philadelphia community. According to President Della Clark, The Entrepreneurial Center does not define itself in terms of "empowerment" or "mixed use." She elaborates on her incubator's focus:

We rarely refer to it [the incubator] as mixed-use. We don't define ourselves like that. Because quite frankly, we don't focus on the business here. You know, I would probably best describe—we're in the talent business. We look for talent. Because it matters not the business. If you have talent, then, let's say for instance I've got talent that's selling parts to the airplane industry, but University of Pennsylvania calls me up and has got a million dollars in mulch business—they're looking for somebody to sell the University a million dollars worth of mulch. If I've got somebody that has talent, they recognize an opportunity. They don't say, 'Well, I'm not in the mulch business, and I'm not going after that business.' Right? What we try to do here is produce talent. Talent, then, recognizes opportunity. And if the opportunity makes sense, then they develop a business around that opportunity. If you focus on the business, all the time, that business is a very narrow vision.

Analysis

In order to be regarded as an effective business incubator, an incubator organization should contain a distinct set of key variables working in concert to effectively nurture startup business enterprises. This variable set is based upon the work of Greene and Butler (1996), which summarizes the services and resources that a wide variety of formal incubators typically offer to their incubator residents. Incubators evaluated during this research project were evaluated on the presence of several of these key variables in order to assess whether they are considered effective business incubators or not. Table 7 outlines each of the key variables for incubator effectiveness.

Table 7. Ten Key Variables for Incubator Effectiveness

Variable	Standard Variables for Incubator Effectiveness
1	Ratio of tenants to technical assistance coaches
2	Experience of the incubator director
3	Incubator facility
4	Basic office services
5	Access to financial capital
6	Model or diagram depicting vision of program
7	Youth entrepreneurial programs
8	Relevance to the surrounding community
9	Incubator program budget
10	24-Hour staffing at incubator

The first variable, “Ratio of Tenants to Technical Assistance Coaches,” (who serve as full-time staff members) is perhaps the most critical element to effective business incubation. Ideally, the ratio of incubator tenants to technical assistance

should be no greater than 3.0 in order to effectively address all of the clients' technical assistance needs on a daily basis. Technical assistance providers incubate the entrepreneur by offering advising in a number of areas, including marketing, advertising, contracts, legal assistance, accounting, taxes, general business practices, and website development, as well as a number of other areas that will enhance the business owner's understanding of what it takes to become a successful entrepreneur. If such technical assistance is not present, or if the incubator director him/herself is the sole source of technical assistance for a number of entrepreneurs who reside within the incubator, this is not adequate to address the many essential development needs of the small business owner. The aforementioned ratio is sufficient to provide adequate technical assistance to each incubator resident, allowing time for scheduled appointments, walk-ins, and strategy sessions in which critical issues may be discussed and addressed at length. There were three organizations for which this variable was not present: South DeKalb Business Incubator, EmPOWERment, and ShoreBank Enterprise Center.

Members of South DeKalb's Minority Business Development Center (MBDC) serve as the organization's contract consulting staff, holding office hours only 8-10 hours a week on an as-needed basis. Utilized for technical assistance purposes, these 5 employees work a 20-county area, offering technical assistance to business owners. The organization's only staff members that may be considered full-time coaches aside from the MBDC consultants are two-full time staff members,

which include the incubator director himself and the Chief Financial Officer. Thus, the ratio of readily available coaches is insufficient to consider the “Ratio of Tenants to Paid Technical Assistance Coaches” is not considered to be present within this program.

At Chapel Hill’s EmPOWERment business incubator, the variable is also not present. The incubator program is managed and directed by sole staff member and technical assistance provider Jeff Caiola. Fulfilling these responsibilities in the incubator is not his full-time responsibility, however, as he is designated as a half-time employee for the incubator and half time for the EmPOWERment non-profit. Caiola provides technical assistance between normal working hours, usually 9 AM – 5:30 or 6 PM. When asked about the provision of technical assistance, Caiola replied, “It’s usually a drop-in basis and they just ask me whatever. Particularly businesses that are here the most.”

ShoreBank of Cleveland also demonstrated a shortfall in terms of technical assistance coaching. On the premises, Laura Kleinman, incubator manager, is the sole source of technical assistance for the ShoreBank Enterprise Center. Assistance is rendered on a walk-in basis and is “very informal” according to Kleinman. Table 8 lists facility information as well as client / coach ratios for each incubator program.

Table 8. Facility Size and Client / Technical Assistance Coach Ratios

	Incubator Square Footage	Number of Incubator Residents	Number of Full-Time Technical Assistance Coaches	Client / Coaching Ratio
FAME	48,000	7	4	1.75
South DeKalb Business Incubator	47,000	26	2	13.0
EmPOWERment	6,000	14	1	14.0
ShoreBank	200,000	40	1	40.0
OAME	40,000	30	6	5.0
West Philadelphia Enterprise Center	36,000	22	14	1.6

The second variable, “Experience of the Incubator Director,” evaluates whether or not the incubator director has had either first-hand entrepreneurial experience through creating and running a business enterprise or if the director has had experience with business incubation prior to taking on the directorship of the incubator. Such either/or experience is essential for the effective incubation of a business because the primary business coach in the organization must have some pool of experiences from which he or she can advise the businesses within the incubator. An incubator director without any previous entrepreneurial or

entrepreneurial coaching experience would not be considered a credible source of expert advice for those who are struggling with circumstances that are unique to the growth and development of small business enterprise.

Executive Director of FAME, Reverend Mark Whitlock was a former Vice President of Wells Fargo Bank and Vice President of the Commercial/Industrial National Division of the Chicago Title Insurance Company in addition to being a 1998 graduate of Harvard University Divinity School. After the Los Angeles riots in 1992, Whitlock was offered a position with FAME, and he has been working as the economic development officer for FAME for the past 10 years. Linda Smith's relationship as Associate Executive Director of the FAME incubator began as a volunteer after the 1992 Los Angeles riots (commonly referred to at the incubator as the "civil unrest"). She was a part of the first micro loan committee, and prior to leaving her position as Vice President in Private Banking at The Bank of California and joining FAME in December 1993, she had been a commercial banker by trade for over 17 years in addition to having 5 years of experience in commercial real estate lending. Business incubator manager Ira Graham came to FAME Renaissance with over thirty years of corporate experience in the banking/financial services industry, working in such areas during her career as retail branch banking, corporate banking, auditing, retail lending, commercial lending, real estate and small business lending, and business development officer.

Though he is not the founder of the SDBI program, the director of Atlanta's South DeKalb Business Incubator has launched 2 other business incubators in his career (in addition to running his own business for many years). He started working with incubators in 1986 and came on board to work with SDBI in 1995. The people that were putting the SDBI program together met Younge at an NBIA conference where they talked about the idea, and they offered Younge a position at the incubator. For Younge, this position represented more autonomy, because the staff position he was occupying at the time was limited as the incubator manager. He considers his experiences a valuable asset in his abilities to run a business incubation program and offers the same advice to others desiring to start business incubators in economically disadvantaged areas:

You need to be an entrepreneur. You need to have been an entrepreneur at some point in your life. The best base for me—for inner cities and the kind of incubator we run—is an accounting background. Accounting and tax. You know, even though a lot of businesses need help with marketing, most business people, when they start out they have an idea that they have a sellable product, and they have some kind of idea of where they can sell it... What they don't have is any idea whatsoever of how to set up or run an office or administer an operation. It is really an eye-opening experience when you see some of these guys and the way they start out doing business. Their money in their pocket, and everything done on cell phone, you know and the

whole business operates like that. And then they end up in all kinds of trouble without knowing that they're in trouble...

OAME's Samuel Brooks of Portland, OR is a legend in the business incubation industry. He is one of only two or three individuals who have attended every NBIA incubator conference since 1986, and he has served in the last number of years over 140 business development and incubation boards and commissions nationwide. Brooks started in incubation in 1981 with a government grant to design and build an incubator—one of the first in the country. The initial business incubator that Brooks launched in 1981 was modeled after several meetings with the community, in which he assessed what did the community needed, and who it was that needed to be served in the community.

West Philadelphia Enterprise Center's Della Clark, whose reputation precedes her throughout the United States and beyond, became President of The Enterprise Center two years after it opened its doors. An entrepreneur herself for many years, she has inspired the program and its participants with her vision and commitment to the Philadelphia community, and she has taken the program to a level of national recognition. It was under Clark's leadership that The Enterprise Center identified and purchased the former American Bandstand building, raising \$3.5 million to renovate and restore the facility as a symbol of community pride. She believes that the incubator in a depressed area such as hers should be a lighthouse to all in the community. Her rich experience in the business incubation industry has

made her a valuable, much sought-after leader in the field. Clark's second in charge, Vice President Christopher Raab, was chosen for the highly coveted position because of his entrepreneurial experience. Clark elaborates,

In the sports world if you were on a football or basketball team, you want a coach who has coaching experience. Right? So I didn't even consider the academic world, because I'm a coach and I needed somebody to coach my team. So I needed somebody who had entrepreneurial experience. In the entrepreneurial world, you don't respect somebody unless they've been there before. Right? So if you've never met payroll, how can you tell somebody else how they should meet payroll?

The third variable, "Incubator Facility," is a variable that indicates the presence of a clean, professional, facility of good quality that is able to house the spatial needs of entrepreneurial enterprises. The size of the incubator did not matter during evaluation of the presence of this variable, only the condition or state of the facility. For more information on the square footage of each incubator facility, see Table 8.

Table 9. Results of Incubator Performance According to Ten Key Variables

	FAME Los Angeles, CA	South DeKalb Atlanta, GA	EmPOWERment Chapel Hill, NC	ShoreBank Cleveland, OH	OAME Portland, OR	Enterprise Center Philadelphia, PA
Ratio of Tenants to Technical Assistance Coaches	+	—	—	—	+	+
Experience of the Incubator Director	+	+	—	—	+	+
Incubator Facility	+	+	+	+	+	+
Basic Office Services Offered	+	+	+	+	+	+
Access to Financial Capital	+	—	—	—	—	+
Model or Diagram Depicting Vision of Program	+	—	—	—	+	+
Youth Entrepreneurial Program	—	—	—	—	+	+
Relevance to Surrounding Community	—	+	+	—	+	+
Incubator Program Budget	+	—	—	—	+	+
24-Hour Staffing at Incubator	—	—	—	—	—	+
Total Key Variables Present	7	4	3	2	8	10

The fourth variable, “Basic Office Services,” includes those that are listed on Table 1 (see Chapter 3). These basic services are typically offered in an incubator and include access to office equipment, conference rooms, shared receptionists, mail service, and break rooms among other services listed. The presence of these basic services is a necessity so that the business startups can have all of its administrative essentials in one centralized location. This variable was present for each of the incubator organizations that were evaluated. For more details on products or services offered by each respective incubator, see Appendices 1-7.

The fifth variable, “Access to Financial Capital,” is important, because a lack of access to financing sources could mean the end of an entrepreneur’s small business dreams. Incubator organizations were evaluated positively if they had their own in-house loan pool or if they indicated strong ties to capital networks for their incubator clients. Research studies show that the three biggest barriers to business success for entrepreneurs are lack of entrepreneurial training, lack of access to capital, and lack of networks. Thus, access to capital is an essential element to effective business incubation.

FAME Renaissance Center offers small business loan products up to \$25k in Los Angeles County (and some to Ventura County) at a rate of 12.125% for loans over \$7,500 and at the rate of 13.125% for loans under \$7,500. In order to qualify for these loans, a business plan is required, and entrepreneurial training is included as a requisite for receiving a loan. The average business profile that receives funding

satisfies the following criteria: less than 2 years in business; impacted credit is now resolved; at least 4 years of established/good credit with no negative marks; acceptance of non-traditional collateral (vehicles, equipment, etc.); and cash flow is supported by outside income. Although there are neither income nor demographic limitations to participate in this program, in order to qualify for the loan, businesses must show documentation of the creation or retention of at least 5 jobs within Los Angeles or Ventura County.

At SDBI, though the incubator does not have its own loan pool, the program staff assists clients in securing financing alternatives to fund their businesses such as SBA loans, private investment, and resources for debt financing. Since very few companies have finance plans that are workable, the incubator program manager assists tenants in assembling loan packages for presentation to potential funders.

Though it does not have a full-fledged loan pool, Chapel Hill's EmPOWERment incubator does make an effort to assist its tenants in any small way it can. The organization has a small loan pool of about \$2,200, and this is comprised of the collected rents that were past due from several tenants. As director Caiola collects these payments, he has decided to keep these funds set aside so that the incubator can have a small loan pool to assist tenants who might have a small financial need for their business.

Most of ShoreBank's incubator's tenants find their own funding or engage in self-financing through savings or debt. Since director Kleinman's occupying of the

position as incubator manager, the organization has funded 3 or 4 companies. Most companies that desire funding do not qualify, as the money that is available through ShoreBank is not “last resort money”—the two ShoreBank loan funds are “expensive money”, as they are looking for equity, and they are seeking out certain types of companies to finance (health and medical companies, contractors, etc.). Though the funds are present, because of the difficulty of qualifying for a loan in this organization, and due to the fact that lending criteria are not flexible in consideration of the community that the organization serves, ShoreBank was not considered to have the “Access to Capital” variable present.

OAME operates the Oregon Association of Minority Entrepreneurs Credit Corporation (OAMECC) to provide minority businesses with direct financing, finds sources for financing through loans or investments, and assists with application and loan documents. The organization boasts the largest access to capital program in the Pacific Northwest with a loan fund of \$500,000 and has just been approved for an additional \$3 million plus 15% in matching funds. In order to be eligible for these funds, businesses must be located within designated Oregon counties, be a for-profit enterprise, be ineligible for traditional bank financing, and the business must be consistent with promoting the best interest and goodwill of the greater community. Credit requirements are minimal. In addition to paying a \$25 non-refundable credit-reporting fee, the applicant must have a satisfactory credit report (no recent

bankruptcy in the past 2 years, no tax liens, nor delinquent loans or judgments).

According to the director, loan fund requirements,

...may be as stringent but more flexible because we understand the value of character, relationship... all the other things that people do for people that they don't often do for people of color, but we do require you to be responsible. What I mean by 'being responsible' is that you have to provide collateral. If you believe in it, then you'll put up something.... We will work with people and give them an opportunity whereas somebody else just might not even look at you—they might just say you don't have any experience... We look at other things you've done that show you have good integrity and you really are not a risk.

The sixth variable, "Model or Diagram Depicting Vision of Program," is evaluated based on whether the incubator has some pictorial or three-dimensional rendering of what is to come in the incubator's future. The presence of such a model or diagram is indicative of the anticipated growth of the incubator program and also demonstrates whether or not the incubator director has visionary characteristics that are necessary to lead the program's entrepreneurs to become great successes. A business incubator must be run like an entrepreneurial enterprise. If the incubator leader him or herself does not demonstrate visionary tendencies within the incubator organization, then it is unlikely that he or she is imparting great visions of success to the incubator clients.

FAME of Los Angeles has a big vision in the making. Ten years from now, the incubator envisions another 35-40 sq. ft. of office building space adjacent to the currently existing business. The organization also has plans to develop a ½ mile of commercial/industrial space with retail, office and some commercial space that will improve the overall image of the community. According to FAME Executive Director Mark Whitlock,

Our goal is to create some synergy... some pockets of wealth. Where a company who hatches out of the incubator does not have to move to a new community. They just simply move next door to a new office space and stay right in our family of companies. So we will be able to have a multiplier effect of some 1% hopefully 2% in our community. That economic multiplier effect we know will cause a recycling of dollars, which will have a greater benefit to the community, which we serve. Thus crime comes down, thus unemployment comes down, thus poverty comes down, teenage pregnancy tends to come down, education tends to improve, while government services improve.

Atlanta's South DeKalb Business Incubator holds a similar plan for revitalization, according to director Richard Younge. Just within reach of the SDBI is a new business development program, namely a state-of-the-art retail/service incubator facility that will house 15-20 retail stores and as many service businesses. This project is entitled the Candler Road Revitalization Plan, and it will work most

types of service businesses and specialty retailers. The goal of this new incubator program is to help local retailers become state of the art in their offerings.

OAME's Samuel Brooks thinks well beyond the confines of Portland, Oregon when he envisions the direction of his organization in the future. In addition to the new incubator facility that will be built across the street for which the land has already been purchased and for which planning is well underway), Brooks seeks OAME expanding what it knows to the global society.

Della Clark of The West Philadelphia Enterprise Center holds a vision for the future of the organization that could not be clearer, as she has an impressive 3D model of her vision next to her business office at The Enterprise Center in addition of a wall-size rendering of the project in her conference room. Through The Enterprise Center Community Development Corporation, the organization is concentrating on the first phase of a real estate project referred to as Enterprise Heights. This business community is located within one block of the current location of The Enterprise Center. The community is a real estate infrastructure that will be developed "as a means to attract new companies and create an environment with access to capital, technology, training and a new generation of talent." Further, this development will provide an ideal place for businesses that graduate out of the incubator to plant their businesses in the community. The project receives the bulk of Clark's attention, with its \$13 million budget that is required to complete the 84,000 square foot office and retail structure, a six-story building at 46th and Market

Streets near the current incubator facility. The finished project, composed of a \$75 million entrepreneurial campus, will contain 500,000 square feet of new and rehabilitated office, retail, green, parking and transit-related space, featuring three six-story buildings and a fourth three-story building facility. This project will take eight years to complete, and its development will be broken into four phases.

The seventh variable, “Youth Entrepreneurial Programs,” signals the presence of an active program that is targeted toward teaching youth, usually ranging from age 12 to age 18, the basic principles of entrepreneurship through not only classroom theory, but practical hands-on experience. This is indicative of an effective business incubator because it is a demonstration that the incubator organization is not simply focused on incubating businesses, but rather that their focus is on incubating people, even further a population, to become successful entrepreneurs.

A major focus of the Portland-based OAME program is its Youth Entrepreneurship Program (YEP). OAME hosts a youth entrepreneurship training program in which youth from the surrounding community are taught the basics of entrepreneurship, not only through classroom experience, but by hands-on experience in the incubator’s Youth Store. The Youth Store is open daily and run by the youth themselves with oversight from the Youth Program Coordinator. Inside of the store, which can be accessed from the outside pedestrian walkway or from within the incubator, there is a variety of different products available for purchase. The

main attraction of the store is the wide variety of Nike shoes and athletic apparel that is on sale for greatly reduced prices. These products are donated by Nike (Nike is also a member of OAME's Advisory Board) on a quarterly basis to the Youth Store, and all proceeds go directly to benefit the OAME Youth Program. Also for sale in the store are products designed and produced by OAME incubator tenants and organization members. This gives the program an opportunity to display some of the quality products that are being produced by minorities in the area. Hostess is also a sponsor of the OAME Youth Store, donating baked goods for the youth to sell in the store's snack section along with a stocked ice cream freezer and commercial cold drink cooler.

OAME hosts an annual one week "Boot Camp" for the Youth Entrepreneurship Program for a minimal cost of \$50 and often seeks members of OAME to sponsor at least one child for this entrepreneurial learning experience. The Boot Camp is one day of intensive training in business and entrepreneurship complete with speakers, business discussions, games, contests, prizes and more. The purpose of the Boot Camp is for youth to gain tools to succeed in business and entrepreneurship, to connect with other aspiring youth entrepreneurs and to network with business leaders.

One of the most well known programs of The West Philadelphia Enterprise Center is its award-winning program to develop youth entrepreneurs ages 12-19, Youth + Entrepreneurship = Success (Y.E.S.). This program exposes thousands of

young people to the power of entrepreneurship through training classes, business camps, special events, and hands-on entrepreneurial experiences. Within the incubator facility itself is a youth lab, complete with computers, training stations, offices, and coaches specially trained to work with youth entrepreneurial development. Each young participant is encouraged to start and maintain his or her own startup enterprise as part of the training for the program. Additionally, the program offers the Prudential Young Entrepreneur Program, which is an intensive nine-week business planning class for 18-30 years old, business development workshops that are attended by incubator clients and community members alike, and entrepreneurial training classes to develop and expand start-up and existing businesses. Those who complete each of the offered courses are guaranteed two free one-on-one business consultations. Project THRIVE is a program in which over thirty five firms in five industry sectors located in the incubator receive key resources and hands-on training necessary to become an industry leader.

The eighth variable, “Relevance to the Surrounding Community,” is a component that assesses whether the incubator program is able to effectively serve the economically distressed area that surrounds it. If an incubator program’s policies and structure are not able to readily address the socioeconomic needs of the immediate community, it is not considered relevant to the surrounding committee and it will not receive favorable marks for this category.

The FAME incubator describes itself as an incubator that serves businesses in the media production and post-production industries. It endeavors to serve as the hub for South Central Los Angeles' multimedia, entertainment technology industry and related businesses by offering tenant space to those involved in post production services, film and television production, print media such as newspapers and magazines, educational media, interactive media, animation, computer-related services, corporate communications, and other business support services. Non media-related businesses that desire to participate in the organization's program may benefit from incubator services such as access to the incubator's business training seminars, computer lab and Internet access, copy services, business and information library, and networking events. The incubator's manager explains that the program does tend to experience a shortfall of the proper type of prospective tenants. The reason why the variable was identified within the FAME organization is due to the incubator's designation as a media production and postproduction incubator. First, as the incubator lies in the heart of South Central Los Angeles, it is highly unlikely that residents from the surrounding community would be able to develop a business enterprise in such a highly specialized field. Startup businesses then, that would be eligible to gain residential entry into the incubator, then would be imported from other places, most likely more economically advantaged areas. In terms of job creation, if these incubated ventures are successful and graduate out of the incubator into the surrounding community, it is also unlikely that these businesses would be

able to employ residents of the South Central Los Angeles area within their enterprises. Thus, one would expect for workers for these enterprises to also be imported into the South Central Los Angeles area. The goal for such a mission-driven business incubator is to serve the economically distressed area around it through business development, wealth creation and job formation. My estimation is that this was not occurring, nor would it occur as long as the FAME incubator held onto its exclusive designation as a media production and postproduction incubator.

South DeKalb's Richard Younge explained that his business incubator program looked closely at the community and the kind of jobs that the community needed when constructing the plans for this organization.

We targeted the industries that would provide those kinds of jobs... We have manufacturing, distribution and food processing here, and the kinds of jobs that we felt would best benefit these people were shipping and receiving clerks, truck drivers... you know, jobs for people who are high school graduates and entry level kinds of things. And cooking is certainly a huge part of the community. In fact, if we could make this whole thing a kitchen incubator, we could fill it up.

While discussing the entry requirements for his Atlanta-based SBDI incubator program, director Younge notes,

We start with employment potential. We start with companies that have employment potential. We don't accept professionals. We don't accept

lawyers, doctors, insurance professionals, real estate brokers—any of those types of people. Because they don't have good employment potential...psychologists, psychiatrists, consultants—none of those kinds of people.

EmPOWERment's Caiola explains that the committee considers two main issues when considering a business for tenancy in the business incubator. First, he allows no competing businesses to be housed in the same building. That is to say, for example, if he has one beauty salon tenant in a retail space, he will not allow another to occupy space in his incubator. Second, the prospective tenant must 1) be low-to-moderate income, or 2) be able to hire low-to-moderate income employees, or 3) be able to provide a service of value to low-to-moderate income community residents. Further, incubator residents at EmPOWERment are asked to sign a Job Availability Clause and a Hiring Policy form upon acceptance into the incubator. The Job Availability Clause begins, "I (business owner), will ensure that 51 percent of the jobs or new hires for my business (business name) will be held by low- and moderate-income persons and within reasonable economic costs will provide training for any of these jobs requiring special skills or education." There is then a section where the business owner completes a "Listing of Permanent Jobs to Be Created" that requests position title, whether the job is full or part time, and whether the job will require special training or education. The Hiring Policy form begins, "I, (business owner), will publicize and make available all new positions for my

business (business name) to all qualified applicants, including individuals with low- to moderate-incomes and minorities. I will work with the business manager from EmPOWERment, Inc. to ensure that all job openings are publicized through outlets and in print media that specifically targets women, minorities and low- to moderate-income persons.” Following this, there is a section where the business owner completes a List of Permanent “Jobs Currently Filled by Job Title” that includes space to indicate whether the job is full or part time, and to indicate how the job was advertised and filled.

The ninth variable, “Incubator Budget,” is a key factor in determining the effectiveness of business incubation systems. If an incubator director experiences a constant preoccupation with budget shortfalls, he or she will inevitably at some point be forced to refocus his or her attention toward raising monies to sustain the operations of the business incubator rather than focusing on the effective incubation of startup entrepreneurs. Further, if the business incubator is unable to sustain an adequate operating budget, this lack of resources may render the organization incapable of addressing many of the needs of both the incubator and its entrepreneur clientele. That is to say, if the incubator budget fails, the quality and level of products and resources offered to entrepreneurs will suffer, and this will hinder business incubation efforts in the long run. One cannot take for granted the notion that incubators located in economically distressed areas all struggle with the same budget challenges. For the director of FAME located in the heart of South Central

Los Angeles, fundraising was one of the easiest tasks in the community, and other incubator-related challenges far outweighed this duty.

Finally, the tenth variable, “24-Hour Staffing at the Incubator,” is essential for successful business incubation. This is so believed because entrepreneurs do not have “hours,” but rather they are constantly engaged in working on their business enterprises, whether this occur during the first part of the morning, the late night hours, or on a bright weekend afternoon. Their workdays do not begin at 8 AM and end at 5 PM like many of the staffs that serve them. The presence of 24-hour staffing within the incubator organization signals knowledge of the true work-styles of the entrepreneur, as well as a willingness and flexibility to meet the needs of the entrepreneurs on their terms in order to maximize their success.

The West Philadelphia Enterprise Center was the only incubator program for which this variable was present. At least one staff coach is available on the incubator premises around the clock, 24 hours a day to assist incubator clients.

CHAPTER 9

Discussion

Results for the first variable, “Ratio of Tenants to Technical Assistance Coaches,” indicate that there were three incubator organizations that had acceptable ratios to effectively incubate their client businesses. These incubators were FAME of Los Angeles, OAME of Portland, and The Enterprise Center of Philadelphia. In each of these cases, business incubators featured highly-experienced, well-networked individuals that held a great interest in fostering business enterprise among its incubator clients. Most importantly, there were adequate numbers of these coaches to address the needs of the incubator clients in a way such that the clients could benefit from technical assistance offerings without having to wait extended amounts of time for an opportunity to have their questions answered or their needs met.

Four out of the six incubators fared positively for the second variable, “Experience of Incubator Director.” These directors were leaders of FAME of Los Angeles, South DeKalb Business Incubator of Atlanta, OAME of Portland, and The Enterprise Center of Philadelphia. Together, they represented decades of experience in running their own business enterprises. In fact, three of these leaders, the directors from South DeKalb Business Incubator, OAME, and The Enterprise Center had been or currently were owners of small business enterprises. Through their own experiences, these entrepreneurial veterans contained a wealth of knowledge that made them valuable resources to incubator clients that needed critical guidance in

their business development ventures. Additionally, all of the incubator directors that scored positively for the presence of this variable were well experienced with small business development, including the director that did not have her own business, making them sensitive to the needs of entrepreneurs. The experience factor of incubator directors also exceeds business ownership. These directors had gained extensive experience through involvement in business development organizations, through prior launching of other incubators, through work experience in areas such as banking and accounting, or through advanced studies in areas such as economic development, urban planning and entrepreneurship.

The third variable, “Incubator Facility,” was one of two categories in which each of the six incubators received positive marks. Though they varied in size from 9,000 sq. ft. to 40,000 sq. ft., each incubator facility was a clean, quality environment that added an air of legitimacy and professionalism to the businesses that they housed.

Next, “Basic Services Offered,” (variable four) was the second variable for which each of the six incubators received positive marks. Each incubator, again regardless of size, offered the basic services necessary to effectively incubate a business. Each incubator offered copy machines, fax machines, telephone lines, T1 lines, Internet access, secretarial services, and other basic administrative services.

Variable five, “Access to Financial Capital,” was present for only two of the six incubators that were surveyed, FAME of Los Angeles and The Enterprise Center

of Philadelphia. This critical element of effective business incubation was lacking in the rest of the business incubator programs. This access to capital is provided to incubator clients through micro lending programs and loan pools from which clients could apply for monies. I must note that one incubator, OAME had an emergency fund from which clients could borrow minimal monies to address certain needs on a small scale.

The sixth variable, “Model or Diagram Depicting Vision of Program,” was found to be present in half of the business incubators including FAME of Los Angeles, OAME of Portland, and The Enterprise Center of Philadelphia. FAME featured several renderings of its upcoming building facilities in its conference room, and plans were already underway to begin building a facility adjacent to the currently existing structure. OAME, like FAME, had already secured the land for its next building project, which would be located directly across the street from the currently existing facility. This building, when completed, will serve as additional space to incubate businesses, including retail outlets. Finally, The Enterprise Center not only displayed a full wall-size rendering of its future project, but a three-dimensional model of the project, Enterprise Heights as well.

The seventh variable, “Youth Entrepreneurial Program,” was observed in two incubator programs, including OAME of Portland and The Enterprise Center of Philadelphia.

Next, the eighth variable, “Relevance to Surrounding Community” appeared in every incubator program except ShoreBank and FAME. This assessment was determined for each of these two respective business incubation programs for different reasons. First, this variable was not present for ShoreBank because of this organization’s lack of emphasis on addressing the needs of the surrounding community by wealth creation through enterprise formation. Then, the FAME business incubator did not indicate a presence of this variable for a reason that is two-fold.

The ninth variable, “Incubator Program Budget,” was present in three of the six incubators, FAME of Los Angeles, OAME of Portland, and The Enterprise Center of Philadelphia. A presence of this variable denotes that there is sufficient budget to adequately address the needs of incubator clients through the provision of products, services and programs. The three incubators for which this variable was found to be present offered the impression that their budgets were well-supplemented through private donations and partnerships from the community. Through such partnership networks, the incubator directors were able to leverage relationships with mostly private donors, including corporations, banks, and non-profit organizations, to meet their incubator budget needs. Those incubator organizations for which this variable was not found tended to have a heavier reliance on either public funds, including grants on a local, state or federal level, or a strong dependence on the non-profit organization that sponsored the founding of the incubator.

Finally, “24-Hour Staffing at the Incubator,” the tenth variable, was present in only one incubator program, namely The Enterprise Center of Philadelphia, which provided around the clock staffing to coach entrepreneurs for their business success.

My overall assessment of business incubation in distressed urban areas would be (this assessment does not include data collected at The Entrepreneurial Center in Birmingham, AL):

1. Many incubators are failing at business incubation.
2. Many incubators are tenant-landlord relationships.
3. Incubators that seek to revitalize communities are not doing so.
4. Federal monies invested in incubation efforts are not currently being put to efficient use.
5. An incubator model for predominantly-minority distressed areas is a necessity.

Many incubators are failing at business incubation. Business incubation is an industry that seeks to nurture and grow small businesses to the point at which they can survive and thrive on their own. What my research demonstrates, however, is that if many of these businesses did not have residence within incubators, even after two to three years in residence, they would not be able to afford the overhead of housing their businesses elsewhere. Additionally, businesses are not thriving within these incubator organizations. Part of this in many cases that I investigated was that they were not expected to grow and spin out of the incubator, and this is problematic

in and of itself. Though each incubator's literature might have stated otherwise, in many of the cases I experienced, growth and graduation was not an overt expectation, and therefore it was not occurring as often as incubator leaders would like.

Many incubators are not incubating businesses. Rather, several of the incubators I visited are trying to stay alive by keeping the facilities filled to capacity so that their budgets do not go down. With the exception of a few incubators, the rest of the cases that I studied had more of a landlord-tenant relationship with their businesses rather than a mentor-mentee or advisor-advisee relationship. Further, most of the organizations made business advising and technical assistance voluntary, and their participation levels demonstrate that as long as these services are not required for residency, most of the people will not take part in utilizing them. Many entrepreneurs feel that they know all that they need to know about running a business, and in light of this, they not only reject, but some may outright resent others trying to provide direction for them about how to run their businesses. For this reason, incubator organizations must be intentional to carefully screen the clients that are allowed residence into the incubator. These individuals must demonstrate a willingness to be taught, corrected, and guided by experts in their business decisions in order to survive and thrive as a business.

Incubators that seek to revitalize communities are not doing so. Because so few businesses are graduating or spinning out of incubators, organizations that held

the idea that they would be able to revitalize their communities through business incubation are not doing so. My research demonstrates that many of the companies in these incubators simply leave the program for one reason or another rather than formally spinning out or graduating. Also, because many incubator managers do not make a sufficient investment in their incubator clients, they do not gain the levels of influence that are needed in order to keep the business planted in the community in the case that the business does leave the incubator. Very little impact is being made on surrounding communities because of the presence of business incubators. The impact that is being made on communities due to the presence of incubators is through the purchasing of vacant or neglected properties in the inner city areas that surround the incubator. Three of the incubators that I investigated are making this type of impact on the community around them, but this impact is being made by incubator itself rather than the successful businesses that graduate out of them, providing jobs and dollars to the local economy.

Federal monies invested in incubation efforts are not currently being put to efficient use. This finding, as disturbing as it is, applies to a number of incubators that were studied who received federal monies through the Economic Development Administration, the Department of Commerce, the Environmental Protection Agency, and other federal agencies. Unfortunately, though funds were received to assist the incubator organizations in the effective incubation of small businesses, data shows that this goal has gone unfulfilled. Even worse, the budgets of these

organizations are continuing to suffer, and this is an indication that many of the federal funds have been disposed of without a visible return of small business development. What most of these incubator organizations have to show for the federal funds invested in them are buildings that have been either purchased and renovated or built with a combination of federal, local and private funds, and nothing more.

An incubator model for predominantly-minority distressed areas is a necessity. Many of the incubators that I encountered during my research, it seems, built their organizations off of general knowledge, perhaps even hearsay about what an incubator organization should be. All of these organizations had an ideal business development program on paper, but when it came down to the execution of the program in the incubator environment, the outcome was quite different. Incubator developers should have a body of specialized literature that will effectively deal with the establishment of effective incubators in predominantly-minority distressed urban areas so that they can make informed decisions about how to structure their programs in a way that will best serve these specialized communities. My goal is to establish a set of recommendations, a list of best practices that have been compiled as a result of witnessing organizations that work (and those that do not work) effectively in these areas. The recommendations that follow in the next chapter might be helpful to the incubator developer who desires to build an incubator organization in an urban community that consists of a predominantly minority demographic.

Additional Observations

With regards to crime, even though each of these economic development incubators is located in urban areas, only a couple of the incubators reported criminal acts against the incubators themselves or their clients. When criminal incidents were mentioned, they were misdemeanors. In fact, one of the two incubators that reported experiencing crime had discovered several youth that broke into a car of an incubator client. The youth were part of a nonprofit program that was housed within the incubator. The only other criminal activity reported by an incubator entailed the theft of merchandise of one of the incubator clients who had left her storage room unlocked. An affiliate of the client's retail business discovered that the room was unlocked and proceeded to steal a couple of hundred dollars worth of merchandise. Other than these incidents, incubator leaders, when asked to give an honest account of criminal acts against the incubator or its clients, reported that crime was not a problem at all. In fact, the surrounding neighborhood respected the incubators' presence to such an extent that many of the interviewed incubator leaders said that residents would "keep an eye out" for the facility, making sure that destructive criminal activity did not occur on incubator grounds. One incubator leader explained how in spite of all of the graffiti-marked buildings that were prevalent across the street and throughout the neighborhood, in all of the years she had been in the incubator, no one had ever dared mark her building with a spot of graffiti. Thus, the neighborhood seemingly not only appreciates but respects these entities that have

bravely made their residence in inner city locations to bring economic development to each of the respective areas.

There were a number of the incubators that allowed their spaces to be utilized by entrepreneurs who have businesses as a second source of income. When asked about the requirements for the use of the office space, the general reply was that if the rent was being paid and the client was being seen utilizing the space from time to time, there was no problem. On the other hand, there were also organizations that did not allow incubator residence for those who did not have a full-time commitment to their enterprise, because these leaders were interested in the type of growth that could only be realized with a full-time commitment to growing and nurturing their businesses. Also, as technical assistance providers usually leave sometime late in the evening, the business owners who might come into the facility to work on their businesses in the evening would not have the access to these experts, which are the key to growing an enterprise in a business incubator.

Most all of the incubators visited possessed some sort of revenue stream in addition to the rents that are collected on a monthly basis. All of the incubators provided fee-for-service conveniences, mostly for copies, outgoing faxes, desktop design, etc. Additionally, most all of the incubators often rented out their meeting spaces and conference rooms if they were not already reserved by their own clients in order to provide an additional revenue stream for the community. These types of actions are essential in the wake of a changing economy where funding is being cut

for programming on local, state and federal levels. In order for incubators to maintain themselves, they must operate as entrepreneurial ventures themselves, continually finding creative and innovative ways to finance their ventures and keep their doors open.

Overall, incubator operations were insufficient to properly incubate new small businesses. Unfortunately, most of the incubators seemed to follow the model that crafts a facility that offers spaces with cheap rent for entrepreneurs. I found most of the organizations to, at their cores, be basic tenant-landlord relationships, and this type of relationship is not conducive to the development of small businesses within incubator organizations that require much more hands-on attention to survive and thrive. I also found that most of the literature that the incubators presented to the public through their Internet websites, brochures, etc. offered many more products and services than what were actually being actively offered to and utilized by the incubator clients. Thus, while many of these organizations' models seemed to function ideally on paper, a visit to the incubator, interviews with the managers, staff members and tenants, and tours of the facility revealed almost a completely different picture of the inner-workings of the incubator facilities.

As part of the discussion for the research, I will now engage in a brief description of some of the positive and negative findings for each of the incubators from which data was collected.

The first incubator that I visited was First African Methodist Episcopal incubator of Los Angeles, or FAME as it is familiarly known to many in the area. FAME seems to be an incubator that is well-connected in and around the city of Los Angeles, highlighting its close relationships with big names in the media and entertainment industry like Disney and Lifetime to name a couple. The leader of this great organization, Mark Whitlock is masterful at building connections, networking his organization into the fabric of the community, and most importantly in this industry, raising money. FAME's incubator resides in a plush, state of the art four-story facility in the heart of the south central area of Los Angeles. It is by far the nicest facility that can be seen in the area for miles around. Also within the FAME building are the organization's other social programs that are of great benefit to the community, including their own bank, housing programs, and job development programs. The FAME facility and each of its social program offerings were definitely a plus and would be impressive to any visitor that had the privilege to tour the stately building.

As connected as the organization is, however, and as much money as the organization manages to bring money into the doors of FAME's lavish facility, I found one major shortcoming that may or may not be viewed differently by others: the incubator's designation as a media production and post-production organization. Specifically, this means that the only types of businesses that are allowed entry into the incubator environment here are those who specialize or directly support one of

these two areas. While this might be an ideal designation considering the organization's residence in the media and entertainment capital of the world, I wondered how this might impact the development of small businesses of those in and around the south central Los Angeles community.

During my visit to the incubator, there were only 7 clients in this massive facility. Two of these were located in the "bullpen," an area comprised of a series of connecting cubicles in a room on the lower-most floor of the building. Businesses are allowed to take up residence in a cubicle here until their sales meet or exceed \$100,000. The remaining clients were located in office spaces, but my concern was that there were so few of them in such a massive facility. Perhaps this might be because of the relative newness of the incubator to the area, or this might be due to the lack of minorities in the inner city who have the know-how or expertise to develop a media production or post-production company. Granted, the program director explained to me during her interview that in order to receive one particular allotment of federal funds, FAME had to designate a specific industry cluster. It seemed peculiar however, that FAME would choose to focus on an industry cluster that would be so foreign to minority business enterprise. I also questioned how effective this type of industry-oriented incubator might be if and when it did eventually manage to spin-out or graduate businesses from the incubator. During our tour of the facility, the program manager pointed out a landmark in the distance, explaining that the organization had plans to purchase a few blocks of abandoned,

graffiti littered buildings so that they could eventually build spaces for graduates of the incubator to utilize as their permanent abodes in the community. My uneasiness with this lies in the consideration that if minority media and entertainment businesses are not resident in the incubator, if the companies in the incubator do graduate and choose to have a presence in the community, residents of the community will not see others who look like themselves in positions of business owner. Consequently, they might not develop the sense of hope and pride in their own capabilities that might inspire them to achieve greater heights in their own lives. This is not to say that there are no minority-owned businesses in the incubator that might eventually graduate and have a presence in the community. This is only to say that I question if choosing a media production and post production designation in the heart of the inner city is the wisest choice an incubator with this much influence in the community can make. Not only do the residents of the incubator not come from the surrounding area, but if these companies do graduate and decide to make their business addresses in the inner city area, the impact on the residents would not be as effective as if there were minorities occupying these same positions of business ownership. Further, the impressive wages that they would offer to their workers in the media production and post production industry would bypass the unqualified workers of the surrounding inner city community, bringing in workers from outside of the area to labor in their enterprises. This, of course sets off a chain reaction of negative outcomes, including the employees of these enterprises taking their wages

and their tax dollars back to their own developed communities rather than investing them into the revitalization efforts for the inner city.

FAME does receive high marks for its incubator program format, as it commissioned the services of The West Philadelphia Enterprise Center's Cities Beyond program to develop its incubator organization. In fact, Della Clark, President of the West Philadelphia Enterprise Center referred me to the FAME incubator to conduct research for this project. Unfortunately, there are few inner city incubators in the country that are able to spend a minimum of \$25,000 on an incubator program at their inceptions. The highly resourceful FAME organization was one of them, and I have no doubt that their use of the Cities Beyond program gave them a great advantage when structuring its program in its initial stages and in currently managing the clients that reside in the incubator. I was also pleased to see that the FAME incubator had a large and well-connected support staff that was able to cater to the business and networking needs of its entrepreneurs. I especially liked their idea of having a "Big Picture Meeting" for each incubator client during which the entire team came together on a monthly or bi-monthly basis to assess the progress of the business and to offer business support and technical assistance. I also applaud this program for the monthly meetings because the meetings are not optional. This business advising and technical assistance is a requirement for residency in the incubator, and the frequency of these mandatory interactions increase if the business is experiencing trouble, is in the red, or is considered to be in

need of close supervision by incubator managers. Data collected during this research project will demonstrate that too often, such business advising and technical assistance is optional during the business's stay and must be initiated by the client rather than required by the incubator. Far too often, my results show that if this type of interaction is not required as a condition of residence in the incubator, overconfident clients will not take advantage of the benefits that such interactions have to offer.

Finally, in spite of my differences in opinion with their industry designation, I commend the FAME business incubator on its vision. This incubator program, unlike many who desire to revitalize inner city areas, is already developing spaces in the surrounding community into which businesses can matriculate once they graduate from the business incubator. This is a critical step for incubators with revitalization missions. If incubators offer only business development programs within their incubators and have any expectation at all of businesses graduating, it is only wise that these organizations undertake some type of effort to assist in locating the businesses in the surrounding community. Without this assistance, businesses, already faced with a number of their own challenges, might forego the challenge of finding a suitable place for residence in the inner city and might instead select the easier route of planting the business in a more convenient, comfortable area outside of the inner city.

The next incubator visit that I made was to South DeKalb Community Business Incubator located in Atlanta, Georgia's DeKalb County. This incubator facility was also located in the heart of the inner city. South DeKalb's incubator is of ample size in terms of square footage, but its staff was not. There were only three full-time staff persons, the Executive Director, the financial staff person, and the receptionist—each of these was very dedicated and hard working. Because the large incubator facility was coupled with such a small support staff, I could immediately deduce that incubator clients were probably not getting a sufficient amount of support in terms of technical assistance or training. Though both the Executive Director and the Financial Services representative had an open door policy for clients who needed to drop in for business or technical advice, the workloads of these two key individuals was so great that I doubted that this occurred very often. Throughout the course of the interview, the Executive Director made a number of references to state and local budget cuts, how funders in the past were no longer willing to give the monies they used to and how the faltering economy was greatly impacting their incubator operations. The burden of overseeing the budget of the incubator falls upon the shoulders of the Executive Director, as well as most of the day to day operations, meaning that this individual is both overworked and under a tremendous amount of pressure. Because incubator rents must comprise such a large part of the incubator's operating budget in order to compensate for public private cuts, he must also spend a good part of his time following up on late tenants to ensure that the

incubator has the funds to keep its doors open. This formula is exactly why I believe that clients in the business incubator may not receive the type of undivided attention that is necessary to help them grow and develop into savvy entrepreneurs. The financial services staff member offers a little more to the clients in that they must submit quarterly financial statements to her office for review. She must then single-handedly carefully review the statements to ensure that none of the incubator's businesses are in danger. When these situations do occur, it is her responsibility to meet with the business owners on a regular basis until the business is back on track and ready to function responsibly on its own. Aside from the financial services staff member's intervention in matters such as these, interaction with the small staff regarding business advising and technical assistance is not required and is quite limited, though it is said to be available.

One particular aspect of the South DeKalb Community Business Incubator that I particularly liked was the entrance policy of the incubator. Businesses are not allowed to enter the incubator unless they are able to provide jobs for those in the surrounding community. Because the incubator is located in the inner city, this means that the businesses in the incubator must offer jobs for which a high-school graduate, for instance, could apply. If the business's labor requirements overreach the people in the surrounding community, it is not allowed entry into the incubator. I believe that this is a wonderful, practical policy and worthy of adaptation by all incubators who desire to serve and revitalize distressed urban areas.

Unlike the FAME incubator in Los Angeles, I believe that the South DeKalb Community Business Incubator has given more of a careful, strategic consideration to the revitalization and reinvestment in its area, ensuring that its investment in small business yields a direct investment to the surrounding community through job creation and the infusion of dollars into the economy as well as the area's local tax base.

The third incubator on my list to visit was The Entrepreneurial Center in Birmingham, Alabama. I was referred this incubator by the President of the West Philadelphia Enterprise Center, who sent me in this direction based on my request for "names and locations of business incubators that are revitalizing the inner city areas around them through successful business incubation." While The Entrepreneurial Center, located in the depressed city center of Birmingham, is expanding its operations through the purchase, renovation and beautification of several surrounding buildings, I discovered on my visit that this program does not exactly fit the model of incubator that I sought after in my research. This incubator organization does not target any specific population, whereas my research is primarily concerned with inner city revitalization in predominantly minority urban areas. Though not outright stated, it is implied that I am seeking solutions to inner city problems by focusing on the people who comprise their populations. This situation is unique in that this incubator is located in the city center, more of a depressed industrial business district, and therefore its expectation is to bring clients

into the area for the sake of business incubation. This differs from the types of organizations that I set out to study which would encourage business incubation from the neighborhood around the incubator organization and the subsequent creation of jobs from these efforts.

Nonetheless, I gained valuable insight from industry leader Susan Matlock who leads The Entrepreneurial Center. She is a woman of great vision and insight, and her focus is neither on community revitalization nor minority populations. Her mission is focused solely upon the bottom line—profit, and I greatly respect this point of view.

Because I did visit this incubator, I will briefly highlight a few of the components of the program that I thought notable. First, I admired the organization's capital campaign through which it is endeavoring to raise millions of dollars for its budget that will make the incubator self-sustaining. These types of measures have become increasingly important during the times of economic depression that we are currently experiencing. Second, I took immediate note of how well The Entrepreneurial Center exposed and highlighted its clients to the City of Birmingham. The community is knowledgeable about the organization and its clients, and this is not by mere happenstance. The marketing of the Center and its clients and graduates is intentional, and the exposure that media opportunities afford them through this marketing is immeasurable. Probably one of the most important lessons that I first learned during my data collection at this incubator is that an

incubator should be run like a small business. An incubator developer is much like an entrepreneur in that the same challenges and requirements that a start up business faces, an incubator manager must also face. In order to keep the doors of the enterprise or incubator open, the individual must be savvy, creative, innovative, resourceful, and possess the ability to be resilient, bouncing back immediately in the face of adversity and roadblocks.

Though this incubator program was not a perfect fit with the type of incubator that I was seeking after, I do not regret the time, energy or expenses that I utilized during this particular data collection effort. I left The Entrepreneurial Center with much to consider and reconsider, especially the very use of the term “empowerment” as it pertains to business incubator classification (see data chapter, Birmingham section for more). I also left with materials such as the incubator’s capital campaign booklet, handbooks of policies and procedures for the incubator, and other very valuable information that can be utilized in incubator development in any setting.

The fourth data collection trip was my visit to EmPOWERment, a business incubator located in Chapel Hill, North Carolina. This was a small incubator in every sense—a small facility of only 9,000 square feet, and a small staff of one, the manager who worked technically only part time with the business incubator. The remainder of his time was spent working with the EmPOWERment program itself, a social service organization that provides a number of programs and services to the

surrounding distressed community. The geography of this incubator was a little different in that it was located close to the University of North Carolina Chapel Hill and yet it was also located in an obviously distressed, disinvested urban area. As with several other visits that I made to incubator sites, the program that was advertised online was not the same program that I encountered when I visited the site in Chapel Hill. That is not to say that the products and services that are advertised on the Internet are not available if requested by the entrepreneur. The incubator manager's door is open for "doorway consulting" whenever business clients desire to stop by to take advantage of his limited business expertise (see data collection chapter on Empowerment). Rather, it is to say that the programs and services are not pushed or promoted very heavily to these business owners. This could be due to a number of factors. Perhaps because the incubator is so understaffed (I use this term loosely, as a facility of 9,000 square feet should not require as large of a staff as other major incubator facilities), or perhaps this is because the incubator leaders feel that the clients might be more receptive to receiving business assistance and technical support if they initiate contact to receive such services themselves. Whatever the case, the incubator seems to operate according to the LaVelle model of simply providing cheap rent to entrepreneurs, fostering a landlord-tenant relationship rather than an advisor-advisee relationship.

Two aspects of the EmPOWERment incubator program that I was able to appreciate to some degree was that the organization started small and that the one-

person staff is making an effort to learn more about the different aspects of business that make small enterprises thrive. Their 9,000 square foot facility was an ideal fit for them at the time they built the facility, as they were a small organization that sought to impact its surrounding impoverished area through the development of small enterprise organizations. The second area in which I commend EmPOWERment is that of its one-person staff and his willingness to engage in the continual process of learning. The incubator manager readily acknowledges that he lacks many of the skills necessary to properly offer support and technical assistance to the clients of the incubator, but in his acknowledgement of this shortcoming, he is always eager to go and sit in a local community college classroom with the incubator client and learn his way through whatever critical process in which he lacks knowledge. Through these experiences, he makes himself a better manager and stronger resource for his future incubator clients.

During my data collection at the EmPOWERMENT business incubator, I was unable to foresee community revitalization occurring with the organization's existing program. Strong, growing, thriving businesses are unlikely to develop in these contexts without critical business advising or technical assistance, and this directly impacts the graduation, job creation, economic contribution, and planting of the business in the inner city area—all factors which directly impact the revitalization of such areas. If businesses view their relationship with the organization as a fee-for-service real estate interaction, when the businesses decide to leave the incubator,

they may not feel any social responsibility to relocate their businesses in the surrounding community. Once again, the investment that the incubator has made, however minimal, is not returned to the community at the time of the business's departure, and the community forfeits any of the revitalization benefits that it might have enjoyed had the proper investment been made in the growth and development of the business.

The next stop for my incubator data collection was a trip to Cleveland, Ohio, home of the ShoreBank Enterprise Center. Once again, I encountered a large facility that was staffed with only one full-time staff person, the incubator manager. This particular incubator program turned out to be the same type of tenant-landlord relationship that I had witnessed at EmPOWERment in Chapel Hill, NC and the South DeKalb Community Business Incubator in Atlanta, GA, and this model, in my estimation, was becoming far too common for comfort. I immediately assessed the one-person staff as an overworked individual under high pressure to meet the demands of running an incubator on a full-time basis. There were a couple of points during my visit with her that are worthy of mention. First, rather than oversee the management of the incubator facility herself, the incubator manager leased out this complex task to a private property management company. This move affords her more time to manage the incubator program and its many requirements. Regarding business advising and technical assistance, like others, the incubator manager's door is always open, and she is always willing to offer advice to business owners. Other

than this open door policy, it was difficult to pinpoint any other technical assistance that is offered to the tenants at the incubator. Considering that the only criteria for finding residence in the incubator is the ability to pay the rent, it is no wonder that not many tenants in the incubator seek out this type of technical assistance.

Undoubtedly, the tenants may know that this type of business advising or assistance is available to them, but as the relationship under which they entered the incubator was tenant-landlord, they view the program as a place to house their businesses rather than a business nurturing and development program. For example, Kleinman explains this in detail about one company:

Well, we have a very successful company in our facility that rents from us...they're a manufacturing facility. They appear to be, and I've never been given the impression otherwise, happy as clams being sort of on their own... The business school here at Case Western has an award for... the area's top fastest growing companies, and they won the award... well one of the awards... They're one of those companies that I wish, you know, we had more of a relationship with, but I also recognize, you know, they seem to be doing well, they know what we do—to a degree I assume, I mean we do provide correspondence to them—I don't know them very well. But I'm not gonna push. I'm not gonna push with that kind of company. I might push with another company that isn't as successful where I may see signs of where

they might be more interested in a relationship, but they don't appear to be—
so I just kind of leave them alone.

At the time of the data collection, the incubator manager acknowledged that below-market space was the essence of what clients thought her program offered:

Essentially...people view us as a landlord. And yes, we provide some other services and probably some other people in the building who see us as providing a lot of other ancillary business development services, but I think typically, people come here thinking that we have space. And that's it. And there's nothing else in the lease that says, 'You will give me this' and 'I will give you that.' You know, we have shared services, and there are obviously other perks that I talk about, but it's not as if when a tenant comes, a team of business management consultants is going to embark upon you—you know like be given to you for a certain amount of time. Or that at the end of your two or three years, you will be expected to leave.

She explained that she would like to go back and overhaul the admissions system, making such components as a business plan and a willingness to be advised prerequisites to entering the facility, but this is an arduous task that is easier said than done. Additionally, placing these types of prerequisites on admission will result in greater pressure for the manager, as it is her responsibility to ensure that the building is filled to capacity with rent-paying, budget-supporting tenants. For these reasons, I am not confident that this change will take place any time in the near future. Rather,

my prediction is that in order for this type of transition to take place—that of changing the individuals in the “program” from tenants to clients who actively participate in incubation—it will take a change in the leadership of the organization, to be precise, the position of the incubator manager.

The sixth stop on my business incubator pilgrimage entailed a visit to Portland, Oregon, home of the Oregon Association of Minority Entrepreneurs (OAME) Business Incubator. This incubator organization produced an upswing in the negative results that I had been experiencing in my research with other incubators. First, the OAME organization was an active one, thriving not only as an incubator, but also as an organization that was well known in the community. The incubator was large in terms of square footage, and it offered adequate staffing to provide technical assistance to the clients of the incubator. Because the technical assistance and business advising is voluntary for the clients, I would usually regard this as a negative. However, at OAME, clients of the incubator are paired with mentors from OAME’s Advisory Board who assemble themselves with other professionals in the community to offer private advising services to their assigned clients within the incubator. For this reason, though technical assistance is not required for the incubator clients, they are receiving these services and then some during their advisory interactions with their high-ranking mentors from the community. The assignment of incubator clients to a mentor in the community who will provide networks, advising and resources is a best practice that I hold in high

regard and that I would recommend to incubator developers in any arena. Another practice at OAME worth noting is the strategic placement of anchor tenants throughout the incubator. These are businesses or organizations that can directly contribute to the advancement of the incubator or to its clients' businesses. These, for example, include such businesses as website developers, information technology businesses, job training providers, security technicians, etc. OAME has maximized the presence of these providers within its incubator facility, and these organizations have proven to be tremendous resources to both the incubator and its clients, often offering their services for trade, at a discount or free of charge. Of all of the offerings at the OAME incubator, the Youth Entrepreneur Store impressed me the most. This is a store that is, for all practical purposes, a youth lab, teaching young entrepreneurs the basics of running a business and the principles of entrepreneurship. OAME's collaboration with Nike (also on the OAME Advisory Board) has resulted in the donation of athletic shoes and sports gear including jackets, athletic suits, tees, shorts, and other Nike apparel to the Youth Store. The youth of OAME sell these items at greatly reduced prices, and all of the proceeds, which are tax-deductible, go directly to the OAME Youth program. Additionally, there is a space in the store where the goods and products of incubator clients are sold. The store features a great variety of books, games, clothing, and other items for sale, and the store is open during traditional retail hours to serve the community. The organization also hosts an annual "Boot Camp" for youth who desire to learn more about entrepreneurship.

The involvement of youth in entrepreneurial programs is not only a good idea, but a wise idea, especially in the context of the inner city area. In fact, I consider the integration of youth into entrepreneurial programs to be a best practice, and I would encourage any business incubator that desires to revitalize inner city areas to introduce this as component of its program. I should mention that the far-reaching effects of the West Philadelphia Enterprise Center could also be seen here, as the OAME Youth Entrepreneurship director went to the West Philadelphia Enterprise Center to learn how to establish and run a youth entrepreneurship program. OAME is also to be commended for its visionary leadership. This organization has already purchased land directly across the street from its existing organization in order to expand its operations, and this type of leadership is exactly the type that is needed to bring about effective revitalization for inner city areas.

The final business incubator that I visited was the West Philadelphia Enterprise Center. It was no coincidence that I made this the last incubator site that I visited. Being an incubator researcher with an interest in revitalization efforts, insiders in the incubation industry would without fail point me towards this incubator and its leader, President Della Clark as the industry standard. In fact, the incubator leaders that I visited recommended that I visit Clark's Enterprise Center almost 90% of the time. The Enterprise Center is indeed a model incubation program, and this foreknowledge led me to visit this particular site last so that I would not unfairly measure other incubator programs against this model.

There is much to be seen and much to be said for The Enterprise Center. The most important aspect of business incubation, nurture through mentoring and technical assistance, abound within these incubator walls. When a client comes into the incubator, he or she is immediately surrounded by the incubator staff that assesses the business know how of the entrepreneur and then strategically devises a plan to fill in the gaps. This type of business advising and technical assistance is not voluntary for the clients in The Enterprise Center. If a candidate for the incubator does not display a willingness to be guided or advised, this business owner will not find a home within The Enterprise Center. Another critical practice of this incubator is that the incubator focuses on the entrepreneur, not the business. Clark holds the belief that if you focus on developing the entrepreneur, you do not have to worry about the business. If the entrepreneur is successful, so will the business be successful. Entrepreneurs in this program have access to a wealth of people resources right there within the incubator, and this access does not end at the traditional quitting time of 5 PM. Rather, The Enterprise Center has a staff member on the premises of the 24-hour access incubator around the clock, recognizing that entrepreneurs do not have “hours.” They work when the need arises and when they are inspired, and both these needs and inspirations can strike at any time. The staff member on the premises is available to offer technical assistance and business advising around the clock for any client in need. The Enterprise Center is doing a masterful job at youth entrepreneurship development. Its YES Program (Youth +

Entrepreneurship = Success) is an after-school program that teaches youngsters the basics of entrepreneurship through both classroom training series and hands on opportunities in the Center's well-equipped Youth Lab. Each youth is encouraged to start a business, and most already have businesses up and running. Additionally, the youth run a website called Half.com. This website, much like the online garage sale type auction featured on Ebay is maintained by the youth themselves. During my tour of the facility, I was shown into the inventory room that houses the inventory that is sold on the site (inventory was donated to The Enterprise Center as well as the e-commerce package that drives the site), and I was introduced to the children, almost exclusively young minority boys, who maintain its operations. The Enterprise Center also has a focus on a different group of youngsters through its Prudential Young Entrepreneurs Program which serves young men and women ages 18-30. Most impressively, The Enterprise Center seems to have mastered the art of making successful businesses. Presently, the organization is doing the seemingly impossible by bringing companies to scale within about 5 years—they are currently trying to tweak this process to be able to bring companies to scale in less than 3 years. I have no doubt that if this can be done in a business incubator, The Enterprise Center will be the one to do it! This model is not beyond the reach of those who would like to develop a program like that of The West Philadelphia Enterprise Center. The organization has developed a program called "Cities Beyond" through which organizations can license the business model utilized at The

Enterprise Center and receive manuals, program information, training information, forms, and a certain number of hours of technical assistance. This program embodies the entrepreneurial spirit at its best, teaching other organizations how to nurture entrepreneurs through its own entrepreneurial program.

Potential Reasons Underlying Incubator Ineffectiveness

Most likely, the lack of effectiveness is due to several reasons including 1) lack of vision on the part of the incubator leader 2) a limited understanding of the market 3) a lack of resources and 4) lack of people resources, methods and systems to efficiently support the desired goal.

First, there was an obvious lack of vision on the part of some of the incubator leaders, as well as an evident lack of drive to take the incubator and its clients to the next level. One explanation for this might include the fact that a couple of the incubator directors were essentially thrust into the position of having to run an incubator without prior experience with these types of mission-oriented organizations. This coupled with a lack of familiarity with other successful programs in the United States no doubt contributed to the lack of vision held by these incubator leaders. Without intimate knowledge of a successful model of what a business incubation program could be, these less effective programs did not aspire to achieve anything greater than maintenance of their own programs on a local level rather than the programs' growth and evolution. I also witnessed another visible vital ingredient was also missing from the less successful incubation program

leaders: passion. In the programs that I assessed to be almost completely ineffective at business incubation, the incubator leader lacked a passion, an enthusiasm, and a zeal for business development. Rather, their programs seemed to simply be a job that they worked to make a living. Their countenances were dull, their energy drained, and their interest in incubation seemed inexistent. Without a passion for nurturing business owners for the benefit of not only their businesses but also the economic development of the community, vision cannot be inspired! The most effective business incubator organizations had leaders that were, from the moment I met them, go-getters—spunky, driven, and passionate about their programs. Each of these, unlike the ineffective program leaders, was eager to talk about their respective organizations, their most successful businesses, and their goals for the future. (No doubt these skills were honed as these master-networkers had gained extensive experience repeatedly sold their programs and its benefits to potential supporters in the community.) As a matter of fact, without exception, each of the most successful incubator leaders had not only a mental vision of what the future held for their programs, but they proudly displayed wall size renderings, 3-D scale models, design plans, and brochures that painted a picture of where their organizations were headed in the future—in other words, they each had great vision.

Next, the incubator leaders that were least effective in business incubation had a limited understanding of the market (business incubation services). At the end of each interview with incubator leaders, I would give a synopsis of the findings that

I had gathered from visits to several business incubators. Leaders who had proven their programs effective demonstrated a familiarity with other incubator organizations that I had visited or that I was slated to visit in the near future. They talked about how their program's offerings compared to others, and they remained proud of what products and resources they were able to offer to their clients. Conversely, the least effective incubators were unfamiliar with most all of the other organizations that I had visited and was slated to visit in the near future. They listened with apt attention and great interest when I spoke of the innovative new ways that other organizations were finding to effectively incubate businesses, and they marveled at their successes. This demonstrated to me an unfamiliarity with not only other programs on their part, but a lack of familiarity with the different strategies, products, and services that were being utilized nationally to incubate businesses in new and innovative ways.

A lack of resources inevitably affects each of the programs that I visited, but to different degrees. As limited funds are available to these economic development programs, incubator managers become responsible for raising funds to sustain their operating budgets of their respective programs through the donation of private funds from individuals and the business community. Incubator rents were a more important part of the operations budgets than literature suggesting "cheap rent" would lead one to believe. Incubator managers relied heavily on these rents to meet budget shortfalls in each of the programs that I visited (with the exception of one).

Again, there were recognizable differences between the more effective incubators and their less effective counterparts. An effective incubator manager must possess resilience second to none. This is said because incubator managers must tread out into the community, knocking on doors and planning strategic meetings to secure private investment from corporate sponsors in order to maintain or grow their operating budgets. Those in effective incubator programs were masterful at this task, having already secured or with plans to raise millions of dollars to not only sustain their programs for the current time but to expand their programs for the future. Ineffective incubator program managers had a central tendency to accept that there was no money available, admit that networking and schmoozing was not their thing, and essentially, relegate themselves to the mediocre circumstances in which they currently operated. Else (2002) describes this as one of the common tendencies that contrasts a dependent “non-profit organization-orientation” with a more creative “business orientation” which would consider a full range of options for increasing outcomes, including creative strategies for producing more with the same resources. Circumstances under which these nonprofit incubators operate are not unusual in the nonprofit world. Amassing sufficient financial resources to meet the needs of a nonprofit organization will always be a challenge. The key, however, to compensating for these shortfalls is a creative staff that is flexible, innovative, and driven to find ways to accomplish the organization’s mission at any cost. For example, this could include the leveraging of partnerships in the community to

provide services as well as the use of free interns, volunteers, and linkages with other organizations.

Finally, there was an observed lack of people resources, methods and systems to efficiently support the desired goal. My belief is that much of this problem is tied directly into the previous explanation, a lack of resources, because many times, a lack of sufficient methods and people resources are tied to lack of financial resources. Like each of the other preceding reasons, this explanation also highlights differences between the more effective and less effective incubator organizations that I visited. For example, each of the highly effective incubator organizations had larger staffs that were available to provide technical assistance to entrepreneurs, supporting the desired goal of nurturing the entrepreneur, imparting various skills sets, guidance and direction. In contrast, the less effective incubator organizations had smaller staffs or were themselves the only staff person. Thus, they lacked the means to effectively address the needs—to efficiently support the desired goal—of business incubation. Also, the incubators that appeared to be highly systematically organized tended to fare better with business incubation than those that were not as organized. In the organized settings, not only did the incubator director know exactly what was going on and what products and services were being offered, but the staff knew the same things as well. Everyone within that incubator said the same things, cast the same vision, focused on the same critical points, detailed the same goals, etc. This demonstrated to me that there was indeed a culture present that

actively promoted methods and systems on a consistent basis so that all in the environment remained focused and aware of how to efficiently support the desired goal.

Unfortunately, my research has led me to believe that the main factor impeding the effectiveness of business incubation in these ineffective organizations is directly tied to the incubator leader. These leaders affect the effectiveness of their respective programs by impacting the vision, resource gathering, relationship building, structure of the organization, and the organizational culture. Each of these components necessarily works in tandem to create a successful business incubation program. Without a change in leadership, the ineffective organizations that I identified will continue to remain ineffective and will not grow or scale up their programs. Denison (1997) adds support to my deduction through his research on case studies on organizational culture. His findings revealed, "... Change is often described in the organizational literature as a conversion process of a top leader or leadership, which is then transmitted throughout the organization.... The case studies present quite a different model... Cultural change in each organization meant new players, not the conversion of old players."

FIELD, a research collaborative comprised of eight institutions that have worked to significantly scale up their microenterprise development programs offers the following recommendations on how business development programs can effectively scale up: "They must develop boards and leadership committed to this

goal; they need to engage in market research and marketing to better identify who their target clients are, what products and services they seek, and what are the best methods of communicating with them. They need to develop products and services that make sense to these customers and are feasible for the program to deliver with volume. They need to build staff capacity in advance of the demand that they're trying to stimulate, and develop methods of deploying staff and functions that are highly efficient. This involves investments in management information systems and other technologies that support rapid decision-making and product delivery. They need to focus on resource development and develop a sustainability plan that matches their methodology. They need to think 'outside the box' of nonprofit structures and look to private sector models for examples" (Edgcomb, 2002).

This organization also comments about the misconceived notion that a focus on growth or scale might mean that organizations that cannot target their outreaches to low-income individuals, as these individuals are often considered harder to reach and require more hand holding in terms of service offerings. They explain that both the ability to scale up entrepreneurial development programs and poverty-targeting goals can simultaneously be accomplished if special strategic efforts are made to focus on these markets (see Edgcomb, 2002).

A great lesson learned during the course of this research is that the incubator organization should be treated as an enterprise.

CHAPTER 10

Conclusion and Policy Recommendations

According to Sexton and Smilor, “The study of entrepreneurship has a much more important function than the satisfaction of intellectual curiosity. Basic research must lead to applications in industry and in the public as well as the private sector” (1986). For this reason, I will conclude this study by addressing the potential applications of these research results while also translating them into practical policy considerations and recommendations on how to make the business incubator organization in emerging inner city markets more efficient.

As policymakers have begun to acknowledge the role of small business in the economy and the importance of entrepreneurial strategies for U.S. businesses (Birch, 1979), these public policymakers have increasingly begun to turn to universities for accurate and objective research studies to assist in the formulation of legislation, regulation, and general policy (Hoy, 1997). Entrepreneurship scholars have the potential of having a major impact on government actions as researchers begin to emphasize the need for entrepreneurship research to impact public policy regarding venture initiation (Hoy, 1997). My aim for this project has been to develop research that will be useful for government practitioners and policymakers, allowing it to benefit both theory and practice.

Billingsley’s work has helped to elucidate the fact that the obligation to find solutions to the economic and social ills of the disadvantaged community lie neither

solely with the government nor solely with the black community. Rather, devising solutions must be a joint effort for which both groups take responsibility and play a role (1992, p. 390). As Butler's research confirms Blacks do not shy away from the challenge of hard work and self-help, despite popular misconceptions. Rather, as Newman (1999) explains, a great many of these poor citizens hold the same values concerning employment as the mainstream community.

The overarching goal of this research has been to develop recommendations for the successful implementation of business incubators in urban areas as well as an evaluation of organizations that are currently employing the use of incubators as economic development tools throughout the United States. It has highlighted the development of the incubator, its function, the elements necessary for successful business incubation, advice from the experts, and examples of how some cities have taken these elements and translated them into a number of successful enterprises for the economic development of not only the surrounding distressed community, but the greater community as a whole.

Through visiting a number of urban business incubators in distressed areas, I have sought to elicit common themes from a careful qualitative study of incubator leaders, founders, and those who are instrumental in incubator successes. Utilizing my recommendations, economic development specialists in any distressed urban area will be able to mobilize this research as a starting point for developing their own business incubator organizations.

I have attempted to expand upon the current generic linear model for business incubation by focusing my intellectual energies on proposing several new considerations that will create a network between a number of different segments on the local, state and national level. These recommendations will explicitly define the key components necessary for the successful implementation of a mission-oriented urban incubator.

The successful implementation of business incubation programs as economic development tools will not only benefit communities economically, but the communities will experience social changes as well. These two factors are inextricably related—the economic and social. Wilson explains, “As economic and social opportunities change, new behavioral solutions originate and develop into patterns, later to be complemented and upheld by norms. If new situations appear, both the patterns of behavior and the norms eventually undergo change” (1987, p. 14).

Newman’s research also follows the same progression—first the economic, and then the social change will follow as a consequence. She notes, “... We need to concentrate on opening up opportunity, not reorganizing the culture. For there is little we can do to solve the conundrums of the inner city unless we fix the labor market problems of the working poor. No amount of moralizing, proselytizing, or punishment will shore up declining families if they do not have jobs, especially jobs that pay a living wage” (1999, p. 298).

The policy that I aim to propose will both address the creation of jobs in the community while maintaining a self-empowerment element that will allow residents to maintain a sense of dignity as active participants in their own self-help strategy. It will not require the creation of new government agencies, only a refocusing of subsidies that are already being inefficiently utilized in other less successful socially based development initiatives.

Policy Proposal

I concur with Billingsley's proposition that government should invest first in models and then in programs and strategies that will facilitate economic independence and encourage the poor to take charge of their own lives (1992, p. 391). These model programs should be publicly funded in their infancy, with the funds to support the programming coming from the millions of dollars that are disproportionately collected from the poor annually. After the models have been tested and proven, public support should continue while community leaders also seek private funding to finance these economic development mechanisms. Newman's research inspired a similar conclusion as she recommends "our energies should be directed at opening up opportunity in the private sector—albeit with limited, targeted assistance from government agencies" (1999, p. 276).

My policy proposal begins with establishing a model or pilot program of business incubation organizations in 5 large metropolises throughout the United States that do not currently have one of these organizations in existence that is

registered with the NBIA. These pilot programs will be publicly funded throughout the course of their infancy (defined as the first 5 years) by the federal, state and local governments, which will account for 30%, 25% and 15% of the incubator budgets respectively. The incubators will be the federal, state and local governments' efforts to develop institutions within distressed areas that are a signal that the public supports entrepreneurial development in the community. These funding entities will have no voting or decision-making power, but the incubator organization will be responsible for providing a report to its funders regarding the progress of the organization. The balance of the incubator budget will be raised through a combination of client rents, private donations, and other creative revenue streams as decided upon by each respective incubator. The government will also designate each zone as an Empowerment Zone or Entrepreneurial Community, bestowing all of the rights and privileges that accompany such a designation to both the incubator and its clients. After a period of 5 years, each incubator will be responsible for compiling a capital campaign that carefully outlines its strategy to become economically self-sustaining, and federal monies will no longer be invested in these incubators on an annual basis through this program. Federal grants, however may be applied for, but only according to the same process that other organizations go about securing these funds. State and local funds will continue to be invested in the program based on performance guidelines. This policy, I believe, will assist in the establishment of

effective incubator programs and their efficient use as economic development tools nationwide.

Policy Recommendations

According to Gans (in Wilson, 1987), “The vacuum that is created when no recommendations are attached to a policy’s proposal can easily be filled by undesirable solutions, and the report’s conclusions can be conveniently misinterpreted” (p. viii). I believe that the same mishap would occur were I to offer a public policy proposal for the support of business incubation in disadvantaged areas without concrete recommendations to accompany the implementation and support of these economic development organizations.

Informed by my research findings, the following are recommendations that may prove useful to developers who desire to implement incubator programs as economic development tools to affect change in their respective urban areas.

Develop a Cohesive Community. According to a report to the Corinthian Housing Corporation and New Community Corporation, two factors that are essential to begin and sustain any community development program are community initiative and consensus. While individual entities such as non-profit organizations interested in community revitalization, private corporations interested in small business development, or local governmental agencies are effective supplements to such community initiative, it is of vital importance that the motivation for such a program comes from the community itself as a grassroots interest (CHDC, 1998).

Actors in the community that one might consider establishing a relationship with include the Small Business Administration, banks, community development credit unions, business associations, major corporation EDA officers, and economic associations like SBDC's, and SCORE. One feasibility study noted, "Each economic and community development expert interviewed during this investigation emphasized that the residents, businesses, and property owners must desire community change in order for it to occur" (CHDC, 1998). Further, a community that presents a unified front for community revitalization is a more credible and more stirring force than individuals that might come forward to demand that their individual demands be addressed. Some incubator organizers have accomplished this task by inviting community leaders and residents of the inner city to develop an empowerment zone application. With such collaboration, each member of the organizing committee develops a buy-in that is sure to mutually benefit all parties involved.

Conduct a Comprehensive Feasibility Study. In order to properly employ the "consider the community" strategy, it will be necessary to conduct a feasibility study to determine the climate of the community, to assess the community's needs, and to identify a potential market for the incubator. A feasibility study will also help the developers to determine the level of support and financial backing that they might be able to expect when rallying for an incubator program to revitalize the inner-city community. Susan Matlock told the story of one incubator in Birmingham, AL that

developed an initiative to start a business incubator. They were granted a building for the incubator by the city in an impoverished area at little to no cost to the developers, but because the group did not correctly estimate the feasibility of such a large facility, the initiative failed. In order to renovate the facility for the incubator's use, millions of dollars would be necessary, and the developers were not prepared to address such a large financial requirement. The NBIA advises, "temper your creativity with a reality check—don't fall in love with a vision for the incubator that isn't supported by sobering considerations, like the existence of a sufficient market and the support of businesses, political and civic leaders" (NBIA, 2002). Developers should be careful to perform their due diligence when considering the opening of an incubator, and they should not be in a rush. Della Clark of The Enterprise Center counsels that it could take a while to launch an incubator. The timeframe for opening up an incubator may vary according to a number of factors. Clark advises,

It depends on your community. If they have a good understanding about incubation and the infrastructure supports it, it could come open in two years. If you have to do a lot of selling to your political and business climate and environment, then it could take even longer. So it really depends on your community. And it depends on who's spearheading the effort and what kind of respect and credibility they have in the community. It could take a long time.

Customize the Incubator for the Community. This is an essential recommendation, and was best explained by the South DeKalb County Community Incubator in Atlanta, GA. Because most of the surrounding community is lower class, these individuals possess only a limited level of education, skills and expertise. The incubator took this into account when allowing entry of business into the incubator, recognizing that if the incubator tenants were to employ the surrounding residents, they had to be able to offer jobs commensurate with their education and skill levels. Therefore, the incubator held as its tenants companies that were light manufacturing, industrial and service. Susan Matlock says that there is no formula for doing an incubator in an urban community. According to her experiences, “There is not a formula. There is no formula, and there’s all kinds of books—I’ve helped write a lot of them. But the truth is, you know, what works in my community may not work in your community.” Thus, you can utilize recommendations from literature that exists in incubator research, but there must be a customized plan for the implementation of a business incubator program in any given community. Della Clark of The Enterprise Center believes that the incubator should reflect the makeup of the community:

An incubator should take on the makeup or the fabric of its own community, and there’s no set rule as to what an incubator should have in it or should not have in it. So, I say, whatever a community needs, and if an incubator can fulfill that through working with an entrepreneur, it should do that.

Push for Federal or Local Zone Designation. The Birmingham Business Journal quoted Susan Matlock, president of the Entrepreneurial Center and co-chair of Tech Birmingham as saying, “Labeling something is very important, in terms of then being able to generate the kind of attention that you need” (Putnam, 2002). In October 2002, the Birmingham City Council voted to create an Entrepreneurial Overlay District in the Birmingham’s central city. This area was designated in order to attract businesses by offering tax and other incentives to those who choose to locate there (Putnam, 2002). Organizers are also optimistic that vacant and abandoned property owners in this central city area will be motivated to sell or update the properties and make them available to business owners and graduates of the nearby Entrepreneurial Center business incubator (Putnam, 2002). Often graduates of the incubator will move their business out of the community because they cannot afford space in the surrounding central city area. The article went on to note the comments of one of the developers, “We’ve listened to the excuses before, that they had nowhere to go... We are targeting them, and I hope we will sort of make them feel guilty, that if we helped them to get started, they’ll somehow leave this money in Birmingham” (Putnam, 2002). One of the most important aspects to receiving a zone designation is the public funding that accompanies it.

Align Forces with the Local Political Structure. This strategy is particularly important in community revitalization efforts for two reasons. First, the initiative will need contacts within the local political structure to champion their cause in

arenas like city hall, civic commissions, planning boards, etc. Such a relationship will be able to extend the group initiative's reach into places that initiative developers cannot infiltrate themselves, and having supporters and advocates behind the scenes increases the chances of a favorable outcome for community developers. Second, and perhaps most importantly, when seeking funding, potential funders actively seek out partnerships within the community as a demonstration that a proposed initiative has the support of local backers. In some instances, community-based initiatives have lost their momentum once they were faced with the challenge of selling their ideas to a resistant local government that does not deem the initiative relevant or feasible. For this reason, having one or several political insiders as part of the initiative development program is sure to benefit the revitalization cause. One New Jersey commission conducting a feasibility study on commercial revitalization noted, "Political involvement is essential; resources such as the Neighborhood Preservation Program, that emphasize a community-city partnership, cannot be accessed without it" (CHDC, 1998).

Facilities Matter. According to one feasibility study, "A 'bricks and mortar' strategy is not the solution to the neighborhood problems; however it is a solid starting point. An enhanced streetscape can help the community see the possibility for positive change...thus encouraging public involvement in the revitalization process" (CHDC, 1998). Another consideration within this same strategy is to be careful to not financially overextend oneself when it comes to renovating an

incubator facility. One of the benefits of implementing an empowerment incubator program in an inner city area is that there tends to be a larger percentage of vacant and abandoned buildings in these areas, and city officials are often willing to donate the use of these buildings to such community development programs, or at least offer them for a minimal price. Be careful to not allow developers to become overanxious when local governments offer them for incubator use. Before accepting use of the building, make an accurate assessment of whether the renovations necessary to bring the building within compliance of city codes and to properly house incubator tenants is within the projected budget of the incubator initiative.

Don't Establish a Real Estate Operation.

Though facilities do matter, incubator developers should be careful to not focus on the facility itself at the cost of the businesses inside of the incubator facility. Samuel Brooks of OAME comments about this, and he feels so strongly regarding this concept that he even goes as far as saying that incubator without walls programs are more effective incubation systems than incubators housed inside of facilities. He comments,

Anybody that thinks they have an incubator—because we have people who come here from every country—last week I had Chinese and Vietnamese here to look at what we're doing—The biggest thing that I try to get across to them is that this is not a real estate operation. We happen to be in a building.

I think we did just as good a job, if not a better job before we ever had this building.

Seek Funding Early. Many economic development and incubator organizations count government funding as a critical part of their budgets. Grants from the Small Business Administration are often noted in addition to the donations of private corporate sponsors and foundations. Contrary to how things may appear, like a business, an incubator requires an adequate amount of startup capital. Incubator developers should have a financial plan that answers the funding questions: 1) how much funding have we received? 2) what sources of funding do we expect to receive? 3) how will we will coordinate fundraising efforts? 4) where will we go to request funding? The NBIA supports this notion, for their research explains, “You must piece together funds from a variety of sources to increase your program’s chances of long-term success. A well-developed financial plan that identifies how you intend to fund the project goes a long way in attracting investors and other supporters” (NBIA, 2002).

Adhere to General Best Practices. On several occasions throughout my research on empowerment incubators, incubator managers and experts advised me about incubator best practices in the NBIA publication, “Growing New Ventures.” Susan Matlock of Birmingham’s The Entrepreneurial Center referred to this text as “the Bible of business incubation” and recommended it as a must have for anyone considering developing an incubator enterprise. Experts advised that by following

the best practices listed in this book, any incubator, not just empowerment incubators, the chances of an incubator's success are significantly increased.

Focus on Incubating the Entrepreneur Rather Than the Business. This will most likely be a revolutionary idea, perhaps even controversial, in the incubator industry. The concept is based upon Della Clark's model business incubator program, NBIA's 2000 Business Incubator of the Year. In a prolific quote that makes one completely rethink the focus of the business incubation program, Clark explains,

...Quite frankly, we don't focus on the business here. You know, I would probably best describe—we're in the talent business. We look for talent. Because it matters not the business. If you have talent, then, let's say for instance I've got talent that's selling parts to the airplane industry, but University of Pennsylvania calls me up and has got a million dollars in mulch business—they're looking for somebody to sell the University a million dollars worth of mulch. If I've got somebody that has talent, they recognize an opportunity. They don't say, 'Well, I'm not in the mulch business, and I'm not going after that business.' Right? What we try to do here is produce talent. Talent, then, recognizes opportunity. And if the opportunity makes sense, then they develop a business around that opportunity. If you focus on the business, all the time, that business is a very narrow vision.

Clark's commentary regarding incubation is both refreshing and insightful, as she proposes focusing on developing the entrepreneur rather than focusing on his or her business. If incubation of the entrepreneur is successfully accomplished, the entrepreneur can remain a savvy entrepreneur even if the current business fails. Because he or she has a highly developed skill set with regards to entrepreneurship, this skill set can be successfully translated to any entrepreneurial opportunity. In this case, the entrepreneur may become a serial entrepreneur, possessing the resiliency to bounce back with a new enterprise if the current business were to fail. If, on the other hand the incubator's focus is on incubating the business, if the business fails, the entrepreneur may not possess the skill set, talent, or wherewithal to identify other opportunities for success—his or her entrepreneurial voyage starts and ends with the current business.

In order to effectively incubate the entrepreneur, as soon as the new client enters the incubator, a needs assessment should be completed. As Else (2002) explains, "... The first step with new clients should be an assessment that determines (jointly with the client) how to move them quickly and effectively toward their goal—and that provides a menu of optional products to achieve that. Then a plan should be developed that will achieve that end." Such a plan will give technical assistance and business coaches a concise idea of where to focus their energies in order to effectively incubate the entrepreneur.

Use an Advisory Board to Screen and Counsel Startups. When I asked OAME's director to tell me about all of the keys to putting together an efficient and optimal Advisory Board for the incubator. His response was simply, "Relationship." Many expert minds are better than one. Rather than relying on the character assessment skills of the incubator manager, put together a committee that is represented by each of the following industries to screen potential incubator tenants: legal, banking, capital-raising, small business advising, and marketing. An incubator's success is largely dependent upon screening and admitting the right kind of businesses, and a mixed gathering such as this is more likely to red flag any potential pitfalls that the potential client might trigger. Use the same board to mentor and counsel startups. Include as many community heavy-hitters as you can, and always include a well-known investor in the community. Even if they cannot send their own monies your way, they know someone who can. Even as incubators are faced with providing more services with less money, advisory boards can fill in some of the gaps that a staffing shortage may produce. With their participation in your incubator organization, you introduce a higher level of stakeholder support, which is essential for incubator success. A great resource to utilize for the development of boards is members of the retired business community. Because someone often invested in these individuals, they are often willing to lend a hand to return the favor. They are experienced, networked, and possess strong business talents, and this

combination makes them a valuable, though often untapped, resource for incubator tenants.

Establish a Small Board of Directors. Samuel Brooks of OAME advises other incubator developers about this particular topic. His organization has displayed great savvy in building up an impressive network of community partners, and these affiliations become quite vital when the incubator organization is seeking private investors, mentors for its tenant businesses, and community support. Brooks explains,

You need to have a small Board of Directors. It needs be small... and cohesive. And the corporate folks, keep them off that Board. Put them on the Advisory Board, cause they really don't want to be responsible for policy anyway. They want things to get done, and they bring their resources to the table. So if you do that, you'll have them doing what they do best.

Brooks goes on to explain that smaller business owners might become intimidated by representatives of larger corporate organizations, and for this reason, might feel like their expertise in the area of nurturing small businesses may not be able to compete with the knowledge and resources of the larger corporations. This combination, then, could stifle productivity on the Board of Directors, and thus OAME keeps the two groups operating on two separate boards.

Consider Your Incubator as an Enterprise. It is not unusual for incubator founders and developers to have the entrepreneurial spirit, one that is interested in

the creation process and that is driven by passion and challenge. These are precisely the character traits that are vital to become an effective incubator manager. Inc. Magazine reports on one ex-attorney who was interested in becoming an entrepreneur and who did not want to work for anyone else—he wanted to be the one with the vision. He soon decided that he wanted his business to be that of starting technology incubators, and this dream soon became a reality as he persuaded a downsizing company to let him use excess office space, furniture and equipment to start his first incubator within their company. After this first success, he went on to develop 13 technology-related incubators (or business clusters, as he prefers to call them). The incubator development process, as this entrepreneur’s story demonstrates, is enterprise formation at its best, “I create a business plan, locate the physical site, hire and train people, write the marketing plan to attract start-ups, then screen and select the initial applicants... When my team leaves, the incubator is up and running and full” (Fenn, 2002). Each incubator should be developed just as a business would be, with a strong business plan, with a completed feasibility study, with a financial plan, and with a clear mission and vision. Molnar, director of the research program at the University of Michigan Business School comments that “Creating a business incubation program is the equivalent to creating a new business. It requires capital, investment and effort” (1999). Else (2002) writes that “Agencies with successful microenterprise development programs have hired staff who understand and are oriented to entrepreneurship and who are themselves

entrepreneurial in the way they run the programs.” A good example of this policy in action is the current Vice President of the West Philadelphia Enterprise Center who was in fact hired because he had been a “serial entrepreneur” and was familiar with all of the pitfalls and challenges that entrepreneurs tend to face. Thus, drawing on these experiences, he was able to more closely relate to the incubator clients as a credible example of some who had been in their shoes before.

Don’t Skimp on Quality Staff. Della Clark of the West Philadelphia Enterprise Center has mastered this concept, with 16 full-time business coaches and staff persons that converge upon the entrepreneur to help bring the business enterprise to scale within 5 years. The organization is currently working on how to bring businesses to scale within 3 years—that is, \$3 million in gross revenue within three years of entering the incubator. Benchmarks such as these cannot be accomplished without an ample, talented staff. Clark gives us insight into her point of view regarding staffing: “No matter whatever vision I have, if I don’t surround myself with good people, to implement that vision, it doesn’t matter.” Staffing is also essential because anytime one has a leader performing day-to-day activities, the organization is not going anywhere. The manager should have a staff that holds his or her full confidence so that he or she can do what an incubator does best—go out into the community and be a connector. Further, if the program does what it should in the community, the right people for the job will come knocking at your door.

Clark says that she gets a job resume everyday from people eager to work with her nationally acclaimed incubator program.

Staff for Growth. Since much of what is required by incubator tenants is technical assistance, consider bringing in part-time business and financial advisors on perhaps a 15 to 20 hour a week basis during the hours when incubator tenants seem to most need these services. Appointments can be set with these consultants, or they may meet with several tenants who are facing the same issues to provide direction and expert advice. For maximum effectiveness, build your staff capacity in advance of the demand that you are trying to develop in the community.

The incubator manager of EmPOWERment in Chapel Hill is unable to hire additional staff members in addition to the manager himself. In cases such as these, partnerships in the community can be leveraged, such as collaborations with local community colleges, universities, or business development associations that can provide services for which staff members cannot be hired. Caiola of Chapel Hill's incubator raises a valid consideration, however, when leveraging such partnerships for clients:

The drawback of that, obviously is that it is volunteer labor, and with obviously everything that is volunteer, you may not get the same quality, or, there's not necessarily, um... What's the word I'm looking for?... There's not a whole lot of continuity maybe, as far as equal services. Like you're never guaranteed just because this guy does this and he wants to volunteer

sometimes doesn't mean he's going to be as valuable as Joe Blow who owns this business. This guy might bring in more valuable skills and may have a better way of translating that to the businesses tenants, but this other person from the outside might have the ability to transfer the knowledge he has successfully to the other businesses. So there is a real downside to *when* you're not paying people to do it.

The South DeKalb Business Incubator in Atlanta, GA offers the following disclaimer in its program handbook regarding this issue, "Although SDBI may provide information regarding individual consultants and/or other business professionals, program participants are not required to use their services, and SDBI cannot be held responsible for the quality of the work of such business professionals."

Plan to Grow Moderately. A wonderful example of this strategy in action is that of the West Philadelphia Enterprise Center, Inc., which is a nonprofit incubator that was founded in 1989. The incubator now occupies the facility that once housed Dick Clark's American Bandstand television show. If at all possible, feature moveable walls in the facility, for this will make the facility easy to modify if a tenant's business grows and the need for more space arises. The Entrepreneurial Center of Birmingham, AL grew according to the same idea. President Susan Matlock explains,

We started out in a very small 10,000 square feet of space that we did not own, it was master leased. And what we were doing is really continuing to

test the market and look at could we do this thing, and could we have much of an impact. Well in that small space, obviously I couldn't help very much, but I did work out a lot of fundamentals... I think probably the reason this program has done as well as it has over the years is we didn't jump out there with way too much money of somebody else's and way too much building and all that stuff too early. We really grew like a small business grows.

Consider Incubation without Walls as a Start. Many organizations that do not have access to a physical facility but do possess a desire to nurture and develop small businesses and their owners begin with an incubator without walls. These without walls organizations provide most all of the products and services that incubator facilities offer without the available office space. Brooks from OAME holds a high opinion of virtual incubation. He offers, "Incubator without walls, I think, is the best form of incubation there is because there really is no reason for people to all be co-located. What is important is that you provide case-managed services to them."

Don't Seek Small Businesses—Seek Embryonic Big Businesses! This strategy was inspired by Al Rossiter, president and chief executive officer of the Technology Enterprise Center, which is Jacksonville's oldest incubator that opened in 2000. In an interview, Jackson was quoted as saying, "What we're looking for are companies that can grow to a very significant size... We're not looking for small businesses. We're looking for embryonic big businesses" (Gibbons, 2002). Susan Matlock of The Entrepreneurial Center maintains a similar position. She explains,

On the front end, we don't just lease space. You know, when someone comes here and they're looking to be incubated... to get in here, what I'm looking for are companies with growth potential. I am not trying to serve the self-employed individual, and there's nothing wrong with that, it's just not what I'm doing. Because if I'm going to be able to turn around and show economic impact, I can't do it with a building full of self-employed individuals. We're looking for growth opportunities. The way I identify the growth opportunity is through the business plan.

Strategically Place Incubators to Supplement Local Industry Clusters. If there is a particular industry clustered within reasonable proximity of the revitalization area, consider placing the incubator as close to that general area as possible. Technology incubators represent the second-largest category of incubators, and they often cluster themselves around technology companies so that their tenant companies can serve as subcontractors, suppliers and distributors. Other incubators might strategically situate themselves near military bases where they can easily supply products or provide services to the federal government. The same concept can be employed with empowerment incubators. Strategically place them in areas where the incubator tenants can serve the needs of the particular industry cluster in the area. These smaller, supplier- or service-based programs can mean built-in big business for entrepreneurs.

Consider a Peer Lending Program. It is important to create an internal lending capacity. If your incubator has not reached a scale at which it can offer moderate to large-scale micro loans to its clients or affiliates through a loan pool, consider a lending program of a smaller scale. Peer lending programs have become popular support systems in the world of microenterprise development as they allow a potential borrower's peers within the incubator program to evaluate whether or not the entrepreneur is approved for a loan. Loan funds can be supplied by the incubator organization, or the loan funds can be a dedicated fund to which each of the tenant businesses in the program contributes on a monthly or quarterly basis. These contributions to the loan pool can also be made by the incubator director setting aside a percentage of each tenant's rent to go into this special fund. REAP, one of the longest standing peer lenders in the United States, allows members, approved by their peer group, to borrow first \$1,000, then \$2,000, \$4,000, \$8,000 and ultimately \$10,000. Further, the borrower is only able to step up to the next loan level if he/she has successfully paid back the previous loan (Edgcomb, 2002). The availability of such loan funds can be critical to help sustain businesses in the case of an emergency financial situation. Funds may be used to help a business secure a new contract, or they might even be used purchase a new piece of equipment that could increase offerings to attract new customers.

Don't Reinvent the Wheel. When I asked OAME's Samuel Brooks about whether or not his organization offered classes, he replied,

Yep. We try not to recreate anything... one of our partners is the Portland Community College Small Business Development Center, Portland State University which is in our building... they teach classes here or we send people to them... We try to coordinate people giving classes rather than offering them ourselves. That's what they do, and we don't see any reason for us to duplicate that. We think we're much better with the one-on-one stuff, which they don't do.

Implement an Effective Tracking System. One of the greatest challenges that arise in incubator research is the lack of accurate statistics maintained by business incubators, and “academics and the U.S. Department of Commerce are calling for more research to study the success rates and analyze the failures” (Burger, 1999). For example, according to NBIA's director of member services, Susie McKinnon, there are no statistics on how many incubators have failed. Because incubators are relatively new (the average incubator opened up in 1991), researchers have experienced difficulty in studying the long-term impact of incubators. While the information-tracking process may appear tedious or time-consuming, it is to the incubator's benefit to maintain records of the demographics of incubator clients and their businesses, their job creation numbers, and their financial progress. Not only do these tracking statistics benefit incubator research for the growth and development of the incubator industry, but these vital statistics also help the incubator organization itself when applying for funding, when trying to build partnerships with other community organizations, and when marketing the incubator

to the community. According to Sherman and Chappell, “enthusiasm on the part of federal, state and local funding agencies and legislative bodies has been uneven. This is partially a result of weaknesses in evaluating the impacts of incubation programs on entrepreneurial development and on local and regional economies” (1998). They go on to explain that there is increasing pressure on economic development programs to clearly justify their benefits in an age of decreasing support of government programs (Sherman and Chappell, 1998). Else (2002) supports the need for an effective tracking system well: “...Programs try to justify their costs per outcome by pointing to all the non-business outcomes that occur, e.g., increases in self-esteem, increases in the quality of wage employment that the participant subsequently obtains, and even the recognition that self-employment is not the best option. While these are important outcomes... they are not the outcomes for which most microenterprise development programs are funded...” Potential investors in your program will expect to see credible, quantitative data that justifies your need to receive financial support from their organizations, and this can only be accomplished through a carefully planned tracking system.

Make the Incubator a Component Your Non-Profit. A couple of the incubators that I encountered in the course of my research were only one part of a non-profit that included several community development initiatives. This comprehensive approach to community revitalization is one worthy of further exploration. The NBIA advises, “Business incubators can play a vital role in a

community's economic development efforts, but seldom can they turn around a local economy single-handedly. When possible, include a business incubator as part of your larger economic development plan" (NBIA, 2002). Organizers might also consider including a community development bank that can help to comprehensively develop the community. Shorebank is a community development bank that is organized by parent holding company, the Louisville Development Bankcorp, Inc. Unlike traditional banks, this community development bank is special in that it does not offer checking or savings accounts. The bank's mission is to stimulate economic growth in the inner city with financial and development services; to encourage small business expansion; to increase home ownership; to improve the quality and value of real estate; to improve the quality and availability of goods and services; and to link residents to career path employment.

Join the NBIA. Incubators that are members of the NBIA served twice as many client companies and nearly twice as many graduates as nonmember incubators did on average. Further, incubators with membership in the NBIA had client companies that created one-third more jobs than client companies from nonmember incubators on average (NBIA, 2002).

Provide Networking Opportunities for Incubator Clients. The mere fact that a business is in an incubator alone is a great networking opportunity. However, it is incumbent on the incubator staff to facilitate networking among the co-tenants as well as important individuals and associations to know in the community. Keep the

tenants well-informed about which trade association is hosting what event, and encourage them to attend. If you want to go a step further, attend the event with the business owner, make introductions, and be present for the handshake. It is also important that the incubator tenant be taught how to network, make small talk, ask for proposals, etc. Plan communal incubator events. Some see this as a drawback that takes the business owner away from his or her business, but these events are essential for networking opportunities. Seek synergy through bartering. This method was commonly utilized in the incubators in which I collected data. One business, for example would exchange website development services with another business that would provide marketing services.

The Economic Development Formula. There must be collaboration between four different entities in order to maximize economic development through small business creation in disinvested areas, and this collaboration is sure to influence tax base enhancement, job retention/creation, and a strengthened economy. First, the participation of local and state governments is essential, for these ensure the vital infrastructure development which new start ups and existing entrepreneurial enterprises need to thrive. This arm creates the policies, the tax breaks, the economic incentives needed to push small business development. Also included are issues such as physical preparation of roads, public transportation systems, sanitation, education, and legislation that are necessary to enhance opportunities for growth. Next, there must be a presence of the local chamber of commerce. The role of this

entity is to retain and expand existing businesses through the development of initiatives, programming, support, and exposure of the business environment there must be some type of board or commission whose primary interest is the economic development of the designated urban area. This may be a Metropolitan Development Board, a local Economic Development Commission, or a similar organization. The role of this organization should serve to attract business and industry to the metropolitan area, creating jobs and strengthening the economy. Finally, there should be an entity that focuses solely upon entrepreneurship, such as a business incubator, with emphasis on new business formation and entrepreneurial development. Birmingham's Entrepreneurial Center considers these components to be the basic ingredients for a healthy economic development strategy that is able to create a portfolio that strongly supports the growth, vitality and diversification of the regional economy (Five Year Business Plan for The Entrepreneurial Center). Working together, these entities comprise an economic development machine. While most communities do have a chamber of commerce, cooperative local and state governments, and economic development boards of some type, the one component that often goes lacking is that of entrepreneurial development. Leaving any one of these components unaddressed will result in an incomplete economic development program.

Regarding Faith Based Initiatives to Develop Incubator Programs.

As 70% of black adults belong to a black church, and as this is the oldest, strongest, and most representative institution in the black community (Billingsley, 1992, p. 73), policymakers might do well do consider funneling much of the monies earmarked for welfare through churches so that they, too, can institute business incubator programs. These self-help programs will in turn empower the communities in which they exist, and strong communities are necessarily a prerequisite for strong families.

Suggestions for Future Research

Throughout a careful review of incubator literature, one research topic is unclear concerning these programs, namely that of the long-term economic and social contributions of business incubators. While their short-term effects on communities have been positive and readily researched and reported, this information remains a void in incubator research. According to Lewis' "Does Technology Work? A Critical Review of the Evidence," this void exists in technology incubator research as well. NBIA summarizes his concern by explaining, "Lewis points out that technology incubators' long-term social and economic conditions remain unclear, due in part to a paucity of research on the subject. He recommends that as the industry matures, additional research should focus on the long-term effects of technology incubation on client firms and local economies; the impact of geography on technology incubator performance; and comparisons of for-profit incubators with non-profit" (Lewis, 2002).

In the final analysis, of all the reasons why socio-economic development through entrepreneurship is important, fundamentally it is important because it allows people to create wealth in the American way. When a person starts a small business, he or she is not just working. Neither is the individual just drawing an income or a salary. Rather, these individuals invest themselves in not only their own business, but the community. Their entrepreneurial futures are now tied to the community. As the incomes and progress of the community goes forward, the small business person benefits. They see the cyclical connection between markets and incomes and progress, and in this realization, everyone benefits (Cisneros, 2002).

Appendix 1. Data from FAME Renaissance Center

FAME Renaissance Center

1968 West Adams

Los Angeles, CA 90018

(323) 730-7700

www.famerenaissance.org

Researcher Notes

The weather is bright and sunny as I drive up to the FAME business incubator, which is located in an area that is very clearly a disinvested and disadvantaged neighborhood of Los Angeles, CA. Its large structure with the purple FAME and Wells Fargo Bank signs look out of place in the middle of such a neighborhood littered with the sights, sounds, and smells that could only be characterized as the inner-city. The moderately-sized, gated parking lot is situated behind the incubator facility such that a visitor must park in the back (if space is available in the relatively small lot) and walk to the front of the incubator building for entry. The entrance to the incubator is spectacular with a very moderate, commercial feel. Just inside the double glass doors that lead into the facility the visitor comes face a wall in front of him/her that highlights the Founding Hall of FAME members, including U.S. Department of Commerce (\$1.8 million sponsors),

State Farm Insurance Company (\$1.5 million sponsors), U.S. Department of Housing and Urban Development (\$1 million sponsors), as well as numerous banks, state and local governments, and other companies who generously donated to FAME's building of the business incubator. Just to the right of the facility entrance is a security counter with a security guard at which guests must check in prior to entry of the incubator facilities. The floor appears to be marble, and implanted within the middle of the foyer's floor, there is the famous circular logo, FAME Renaissance Center Assistance Corporation. The entryway/foyer appears expensive and grand, and it gives a very accurate depiction of what the visitor can expect to experience beyond limited view of the walls that separate the entrance from the FAME Renaissance facility.

After signing in, I am directed towards the elevators that will lead me to the office of the incubator manager, Ms. Ira Graham. I am a little early, and thus I have the opportunity to speak for a short time with the administrative assistant, Ernie, while I wait for Ms. Graham's arrival. Among the literature from the table in the waiting room area, I choose two items, including a colorful postcard advertising a series of lectures at the FAME Renaissance Incubator. To my surprise, these well-known guest speakers include: Michael Eisner, Chairman of The Walt Disney Co., Carole Black, President and CEO of Lifetime Entertainment Services, Chris McGurk, Vice Chairman and COO of MGM, Inc., and finally, Jamie Kellner, Chairman and CEO of Turner Broadcasting System, Inc. The card describes that the

speakers will be present “Talking about the business of their lives” from 6PM – 7PM on the particular days indicated in months ranging from November 2002 – April 2003 (I later inquire about these individuals’ participation and find that they speak for free at FAME programs). Another unexpected find on this piece of correspondence is that the ticket price is only \$30 for all four speakers (the series was made possible by a generous donation from AOL Time Warner). During the course of my research at the facility, I come to discover that the incubator program has a great working relationship with these individuals as well as other significant and well named people-to-know in the entertainment and media production community. The President of the United States himself just recently toured this facility less than one year ago, and like all visitors to the center, he was undoubtedly impressed by the striking business incubator and all that it had to offer. After a period of less than five minutes, I am greeted by Ms. Ira Graham who serves as the incubator manager who leads me on a tour of the incubator facility, teaching me all that there is to know about FAME.

About the Sponsoring Organization

In addition to operating the business incubator, FAME sponsors several major social and business programs designed to create wealth in impoverished communities in Los Angeles County. Also operated by The First African Methodist Episcopal Church is the FAME Assistance Corporation (FAC), which is a 501(c)3 corporation that serves as the funding vehicle for all of the Renaissance programs.

Included in the list of programs operated by FAME Assistance Corporation and FAME Renaissance are the following: The FAME Business Incubator, The FAME Equity Fund (goal is to raise \$10 million to invest in emerging businesses owned and operated by minority entrepreneurs in low-to-moderated income neighborhoods in South Central Los Angeles), The FAME Business Resource Center (certified as a CDFI, mission is to fund loans and to provide technical assistance to new and existing businesses that do not qualify for bank credit), The Environmental Protection Department (addresses such issues as energy efficiency, electric deregulation, used oil recycling, composting, and recycling as well as other environmental issues that affect the local community), The Immediate Needs Transportation Program (\$5 million program that provides subsidized taxi services and bus tokens for those who have an immediate transportation need), The Entrepreneurial Training Program (10-week program that equips new and existing entrepreneurs in low-to-moderate income areas with knowledge, skill, and insight required to manage a successful enterprise), The FAME Personnel Service (a full-service staffing company that specializing in the placement of skilled employees in permanent, temporary to permanent, and temporary job opportunities throughout the greater Los Angeles area), The Sunday Free Legal Clinic (staffed by volunteer lawyers, paralegals, and local law school students who offer advice to help clients solve their own legal problems or refer them to other legal service providers, if necessary), The Family Resource Center (offers assistance in life management

through counseling, mentoring, and job assistance), The Cecil L. Murray Education Center (a non-profit 501(c)3 elementary and middle school that provides an educational setting that lends special consideration the student's level, learning style, and cultural needs and pays particular attention to character-building), FAME Housing (provides quality affordable housing to families with low-to-moderate income levels), FAME Health Corporation (strives to improve lives and health in African American communities through social and educational programs). The First African Methodist Episcopal Church also runs a for-profit organization, "FAME Forever, Inc." the personnel service of FAME.

About the Incubator Leadership

Overseeing the First African Methodist Episcopal Church is Dr. Cecil L. "Chip" Murray, who serves as the Senior Pastor of the Church and the CEO of FAME Assistance Corporation. The FAME Renaissance programs as well as the FAC programs are supervised by Rev. Mark Whitlock, Executive Director. The FAME Renaissance Center and the Business Incubator programs, both a part of FAME's Business Development Division, operate under the direction of Linda Smith, Associate Executive Director. Working directly with Linda Smith is Ira Graham who serves as the Manager of the Business Development Center.

Dr. Cecil L. "Chip" Murray came to the First AME Church of Los Angeles in 1977 which numbered 300 active members at the time. After pouring vision and new life into the congregation, the church grew to an awesome 17,300 members

under his leadership. Greatly interested in the development and well-being of the community surrounding him, Murray coordinated the launching of some 40 task forces that cover a wide-variety of community needs. Each member is asked to join one of these task forces to help make the effort to take the church beyond its walls. The FAME Business Incubator is one of many programs inspired by Murray's leadership.

Executive Director Reverend Mark Whitlock was a former Vice President of Wells Fargo Bank and Vice President of the Commercial/Industrial National Division of the Chicago Title Insurance Company in addition to being a 1998 graduate of Harvard University Divinity School. After the Los Angeles riots in 1992, Whitlock was offered a position with FAME, and he has been working as the economic development office for FAME for the past 10 years. Whitlock felt that the organization needed programs and industries to add value to the community. Disney and the Department of Commerce led them to look at training, funding, loans and venture capital. The virtual incubator did not give the organization an opportunity to walk around the businesses as much as they would like, and it was out of this need that the vision for FAME Business Incubator was birthed.

Linda Smith's relationship as Associate Executive Director of the FAME incubator began as a volunteer after the 1992 Los Angeles riots (commonly referred to at the incubator as the "civil unrest"). She was a part of the first micro loan committee, and prior to leaving her position as Vice President in Private Banking at

The Bank of California and joining FAME in December 1993, she had been a commercial banker by trade for over 17 years in addition to having 5 years of experience in commercial real estate lending. Her volunteerism after the riots lasted 7 years, until she was harnessed to head up the renovation and development of the facility and program that is now the FAME Business Incubator. Ms. Smith has been working with business development at FAME for 9 years and was the overseer of the incubator project.

Business incubator manager Ira Graham came to FAME Renaissance with over thirty years of corporate experience in the banking/financial services industry, working in such areas during her career as retail branch banking, corporate banking, auditing, retail lending, commercial lending, real estate and small business lending, and business development officer. Her involvement with FAME Business Incubator began as a committed volunteer and a recent retiree from the corporate world, and before long, her expertise in the financial services industry were harnessed by the incubator to assist the development of small businesses at FAME on a full-time basis as the Manager of the Business Development Center, a position that she has occupied for the past 3 years.

Incubator staff members are present to lend support to businesses Monday-Friday from 8:30AM to 5:30 PM. Hours are flexible for those who are working in the field and for those who offer technical assistance for borrowers.

Staff members do not actively engage in professional development activities, because the incubator does not have a lot of funding for professional development. Ira Graham explains that if the staff was younger and less experienced, this would be more of a critical issue, and the staff might require more training. In addition, she comments that the staff members are so busy that they rarely have any time to partake in such activities.

Mission and Goals of the Incubator Organization

The incubator states the following as its mission: “Our mission is to provide a comprehensive Entrepreneurial Development Program, empowering successful small businesses to create both jobs and wealth for our community.” FAME’s goals closely ally with its mission. As its goals, the organization lists: providing a supportive and nurturing environment; to supply our clients with an integrated business development system, enabling them to successfully grow their business and enhance their entrepreneurial skills; to provide comprehensive strategic analysis/assessment of a company’s strengths and weaknesses; linkage to industry, academic and financial resources; one-on-one coaching and mentoring; and reaching the widest audience possible by offering a four-tiered program structure that encourages growth.

Focus of the Incubator Organization

The FAME incubator describes itself as an incubator that serves businesses in the media production and post-production industries. It endeavors to serve as the hub

for South Central Los Angeles' multimedia, entertainment technology industry and related businesses by offering tenant space to those involved in post production services, film and television production, print media such as newspapers and magazines, educational media, interactive media, animation, computer-related services, corporate communications, and other business support services. Non media-related businesses that desire to participate in the organization's program may benefit from incubator services such as access to the incubator's business training seminars, computer lab and Internet access, copy services, business and information library, and networking events.

The incubator houses such tenants as DVD Executive, which is a full-service Video/DVD production company specializing in entertainment and corporate presentations. In addition to providing DVD graphic design and authoring, the company also provides services such as digital video/audio editing, remote video/audio recording, Web development, graphic design, animation, streaming solutions, encoding and duplication. Another company that is housed within the walls of FAME Business Incubator is the Zaman Group, which is a multi-service organization that owns a phone division (pay phone services to large public sector institutions, cities, airports, and independent pay phones at convenience stores and gas stations); a manufacturer's representation of minorities and women firm in the janitorial and construction business; and a trucking company.

The incubator's manager explains that the program does tend to experience a shortfall of the proper type of prospective tenants. Currently, 7 tenants occupy the incubator facility.

Technical Assistance

The program customizes a business development strategy to meet the needs of business owners, addressing such areas as strategic planning, sales and marketing, human resources, accounting/financial, legal assistance, business planning, and debt/equity financing programs.

The Incubator Facility

The 48,000 square foot incubator facility that the FAME business incubator occupies was purchased from the City of Los Angeles. This building is well known in the community as the former old Pac Bell switching station.

The program offers three sizes of office space that are classified according to a baseball league theme (square footages are on average). For example, there are "A" offices that measure 125 square feet for a cost of \$350 per month. Next, there are "AA" offices available that measure 252-325 square feet for a cost of \$774 per month. Finally, there are "AAA" offices that measure 642-1077 square feet for a cost of \$1775-2000 per month. If an potential tenant does not meet the criteria to occupy any of these available spaces (see Admission Criteria), he or she may take up residence in the incubator's "Bullpen" which is composed of a number of small cubicles that the entrepreneur may occupy for only \$175 per month.

Admission to Incubator Program

The first requirement for admission to the incubator is the completion of an Initial Inquiry Form which may be filled out on-line at the organization's website. As part of the completion of the Initial Inquiry Form, the entrepreneur must attach a copy of his/her executive summary. Once these materials have been received, a member of the incubator staff will contact the business owner to give direction on the necessary steps required for entry into the incubator program. Next, participation in the incubator's StartUp! 101 or 102 entrepreneurial training classes (which class is based on evaluation of the business by the incubator staff) is required in many cases. Next, the applicant must complete the full application and request for credit report, also submitting a completed business plan and complete financials. After this, the applicant takes part in face-to-face interviews with the incubator admissions team. Once interviews are complete, the incubator staff will let the applicant know whether or not the business has been accepted for tenancy in the FAME incubator.

The FAME Business Incubator lists the following criteria for admission to occupy a space in the incubator: one year of operating history (does not apply to startups); at least \$100k in gross revenues (or achieve 100% of \$100k within first year of occupancy); exceed or approach \$1 million in annual revenues within 3 years; business plan, complete with financials; demonstrated customer interest; long-term financial viability; management/entrepreneur experience; willingness to engage in FAME Social Contract (see Incubator Requirements).

It is at this point that the incubator staff evaluates the prospective entrepreneur or business owner utilizing the business plan and entrepreneurial skills to determine at which level of “play” the individual or partnership will enter the incubator program. Single A (“A”), Double A (“AA”), or Triple A (“AAA”). Additionally, there is a Bullpen program established for startups that have not yet made significant progress in business development. The entrepreneurs or “players” receive “coaching” in each of the following major business areas: marketing, sales, technology, finance/accounting, and legal. Based on the advice of the coaches, entrepreneurs set milestones for their companies’ growth and advance through the league as they meet these criteria. Coaches and the players work together to develop a 3-year growth business growth strategy for each incubator client. The strategy is aimed towards having the client graduate out of the incubator by reaching or exceeding \$1 million in annual revenue and creating up to 12 jobs within 3 years of entering the incubator program.

The incubator staff utilizes each business’ financial statements to determine where the business will be placed within the incubator facility. To be eligible for an “A” space, the business must show sales of \$100k or demonstrate the potential to be at \$100k when they enter. To be eligible for a “AA” space, the business must show sales of \$250k or more. The largest space available, the “AAA” space, is only available to businesses who reach sales of \$550k or close to \$600k or more. There is also “Bullpen” space available, and this space is composed of cubicles that the

entrepreneurs may occupy until the sales of the business reach at least \$100k, the minimum required to move into an “A” space. Startups that enter the incubator program are limited to the Bullpen space only. Other incubator tenants also have the opportunity to move to a larger space as their sales grow in order to accommodate the needs of the company. At the time of my research, the incubator hosted 3 Bullpen tenants, 1 “A” tenant, and 3 “AA” tenants.

Ira Graham explains that in her experience, African Americans usually appeal for “AA” spaces upon being accepted for tenancy in the incubator, and they definitely do not see themselves as a startup. They tend to desire these larger spaces mostly for appearance rather than function, and they see themselves as doing much more than they actually are. Many of these businesses’ performances do not qualify them for any space larger than those in the bullpen.

During my visit to the incubator I happened across one company that was just concluding a second interview in the Tenant Prospect conference room with incubator advisors that included two individuals from a financial advisory group in the community, Gordon/Barash Associates, Inc. These two financial advisors were present to speak to a potential tenant that was a partnership that provided a service that takes motion pictures straight to DVD. These meetings and interview are designed to assess what the potential tenant has, what it might need from the incubator, and what will be needed to take the business to the next level. Advisors

also ask whether the business can be profitable, in addition to reviewing profit and loss statements, and determining how they might help the business find financing.

Incubator Residence Requirements

In addition to providing financials to the incubator director on a quarterly basis, the FAME business incubator requires its tenants to attend a monthly “Big Picture” meeting in the Tenant Prospect conference room. Bullpen tenants must attend “Big Picture” meetings twice monthly, as well as any businesses that might be facing critical challenges in their operations. FAME takes the unique step of requesting that each of its tenants sign a FAME Social Contract. This contract is a request from FAME for the business owner to keep his/her business within the South Central Los Angeles community upon graduation from the incubator program rather than leaving the community. This contract helps to solidify part of FAME’s larger mission, which is its commitment to improving the economic livelihood of communities.

As part of the program lease for tenancy in the incubator, FAME includes a wish list (also called FAME Social Contract) that requests that the business stay in the community upon graduation from the incubator program. One incentive that the program would like to eventually offer to make this option more attractive for tenant businesses is to have nice, professional suite space available in FAME commercial buildings that will be constructed nearby. Such developments constitute one reason, Graham explains, why Executive Director Mark Whitlock is so heavily involved in

the commercial real estate sector. Locating a certain class of businesses in the area attracts more businesses as well as supporting businesses, and this initiates a domino effect in the community's development.

Graduation Criteria

The requirements for graduation from the incubator are relatively simple. The incubator tenant will ideally begin in an "A" grow to occupy a "AA", and then move to the largest "AAA" space, all in accordance with the business' sales. Once the sales reach \$1 million in annual gross revenue and 12 employees, the business may graduate out of the incubator. The time frame allotted for this process, from entry into the program to graduation, is 3 years. At the time of the interview, there had been no incubator graduates from FAME Renaissance, as the actual incubator was just opened in October 2000, and incubator tenants were not allowed into the facility until 90 days after its opening.

Available Resources

According to FAME Renaissance Center, upon entry and depending on program, option, incubator tenants have access to:

- Internal and external investment funds and other capital
- One-on-one strategic business coaching
- LAN and WAN connectivity
- Fiber-optic multi-mode capacity
- A fully equipped computer/media lab with high speed Internet connection

- High speed data security
- Multiple communications providers
- Their own Web site, with e-commerce capability
- Multiple power sources and uninterrupted power supply (UPS)
- Offsite co-location capability for servers
- Offsite facility and network management
- Upgraded and specialized software
- Secured office space
- Video conferencing center
- Voice mail and receptionist services
- Distance training learning center
- Business resource library
- Conference and meeting rooms
- Copy center (e.g. photocopying, faxing, etc.)
- Parking
- 24-hour accessibility and security

The incubator utilizes a shared administrative assistant to handle administrative needs of the clients as well as of the FAME Business Incubator staff.

The incubator offers entrepreneurial training classes including StartUp! 101 and 102. StartUp! 101 is offered to the startup, beginning entrepreneurs, or those interested in learning more about entrepreneurship. StartUp! 102 is offered as the

second course in the series and is targeted towards those who are already in business but require more entrepreneurial training and development. The average number of students in the 101 class is 30, and the average for the 102 class is approximately 15 people. Incubator tenants are not required to attend the classes, but may do so if they desire. Teachers for these classes are recruited based on network relationships of incubator executive administrators, and they are sought after based on their experience in a particular industry.

FAME Renaissance Center offers small business loan products up to \$25k in Los Angeles County (and some to Ventura County) at a rate of 12.125% for loans over \$7,500 and at the rate of 13.125% for loans under \$7,500. In order to qualify for these loans, a business plan is required, and entrepreneurial training is included as a requisite for receiving a loan. The average business profile that receives funding satisfies the following criteria: less than 2 years in business; impacted credit is now resolved; at least 4 years of established/good credit with no negative marks; acceptance of non-traditional collateral (vehicles, equipment, etc.); and cash flow is supported by outside income. Although there are neither income nor demographic limitations to participate in this program, in order to qualify for the loan, businesses must show documentation of the creation or retention of at least 5 jobs within Los Angeles or Ventura County. SBA Loan applications may be conveniently downloaded from the FAME website.

FAME Business Incubator's products and services are advertised via e-mail, and throughout the community in publications. The incubator's Executive Director also heavily promotes the incubator in the community and is periodically heard on the radio talking about the benefits of the incubator program to the city of Los Angeles.

Challenges

Among his greatest challenges, Whitlock lists first, "getting past our own thinking." He elaborates, "The thought that perhaps we are challenged. That we can't deliver that which it takes. That's the first thing. Coming out of ourselves and realizing that we can provide great resources." Next, he adds, finding funding for businesses and tapping into global and local markets. Finally, he lists interpersonal relationships between the incubator and its tenants.

This is sitting down with the incubator business and getting them to really see that we are efficient for their team, not just some police officer coming around to look at their books or somebody who is here to collect a check. We are a resource to them, and we want them to accept us as a resource.

Among her greatest challenges as the Associate Executive Director of the incubator, Ms. Smith lists first "getting the organization [FAME Church] to embrace the concept of a business incubator." For Ms. Smith, fundraising was one of the easiest tasks in the community, and other challenges far outweighed this duty. Ms. Smith also lists among her challenges in developing the incubator facility that scarcity of available human resources. Because the organization could not hire a full

time person to develop the project, FAME had to utilize a task force comprised of all of the managers of the existing FAME programs in order to form a development committee.

Best Practices

The Executive Director of FAME, Mark Whitlock, lists the following as his incubator organization's best practices. First, he has a great team committed to working hands on with tenants, noting, "We have a great team who are committed to really working hands on with the tenants. Linda Smith and her team, they just—they really care about the people." Second, he lists having financial resources available to help the team cover shortfalls if they have challenges: "We have, I believe, financial resources that can help those businesses cover some short term financial shortfalls if they find challenges." Finally, he lists that the incubator serves as an entry point for businesses "to come into my door or my pastor's door... to meet clients, which help to broaden their business."

Advice from the Experts

According to Linda Smith, Associate Executive Director of the FAME Business Incubator, there is one main essential of which incubator developers should be cognizant. The launching of an incubator must be a collaborative effort. She recommends that interested developers become a part of the National Business Incubation Association and that they become part of an economic development

group in the community. Each of these moves will ensure greater networks, access to information, exposure and support for the incubator venture.

Mark Whitlock offered some expert advice concerning the role of business incubation in the United States:

I think we need more incubators. I think that the incubators that failed because they were simply for profit trying to make a ton of money— that was in the wrong context. Incubation is still kind of a social program in many ways. It has a strong business acumen, it has a strong desire to make a profit, but at the end of the day, members and mothers of these kids need businesses. And so there's this social component that you cannot afford to eliminate. It has to have a social conscience.

During the interview, I also asked Mark Whitlock what advice he would offer to an organization that wanted to launch the same type of incubator as FAME. What would be necessary for that organization to be successful? His reply, “What’s your name? (I reply, “Shannon”) Hire Shannon.” When asked for further elaboration, he offers,

It’s good to have a bucket of money. A big bucket of money. But I really do think that you need to have somebody who is on fire. If that person (the incubator developer) is not on fire to do the work, then you’ll find that eventually, your dreams, your thoughts, they eventually begin to dissipate. Why? Because the challenge is, it becomes a job instead of a mission. It

becomes a career instead of a ministry, and you need somebody out there who's on fire. If you're on fire, Shannon, somebody's going to come watch you burn.

Vision

FAME of Los Angeles has a big vision in the making. Ten years from now, the incubator envisions another 35-40 sq. ft. of office building space adjacent to the currently existing business. The organization also has plans to develop a ½ mile of commercial/industrial space with retail, office and some commercial space that will improve the overall image of the community. According to FAME Executive Director Mark Whitlock,

Our goal is to create some synergy... some pockets of wealth. Where a company who hatches out of the incubator does not have to move to a new community. They just simply move next door to a new office space and stay right in our family of companies. So we will be able to have a multiplier effect of some 1% hopefully 2% in our community. That economic multiplier effect we know will cause a recycling of dollars, which will have a greater benefit to the community, which we serve. Thus crime comes down, thus unemployment comes down, thus poverty comes down, teenage pregnancy tends to come down, education tends to improve, while government services improve.

Appendix 2. Data from South DeKalb Business Incubator

South DeKalb Business Incubator

1599A Memorial Dr. SE

Atlanta, GA 30317

(404) 329-4500

www.sdbusinc.org

Researcher Notes

The appearance of the incubator was that of a renovated, older building in the inner city. There were mailboxes in front of the building, presumably for tenants of the incubator or its non-tenant clients. Attached to the building was a call box with a sign that read, “ You can always (24 hours) call the person or business you are looking for by dialing their extension from the call box! If no one is available in front lobby located on the wall in front of the building. They want to hear from you!” There were three sets of double doors, one with handicapped accessible automatic doors. Neighborhood was clearly impoverished. The incubator was surrounded by low-income homes that were mainly unkempt, and the incubator facility was located at the end of the parking lot that hosted a strip center including such stores as those found in an inner city strip mall (Family Dollar, Wayfield Foods Grocery Store, and self serve laundromat). There was a police car parked in the lot,

and several police cruisers were seen in the neighborhood at various times. Upon entrance into the incubator, there is a small foyer that has the names of the incubator tenants listed inside of a glass case in white letters on a black letter board. In this area, there are signs posted that read, “Smile, you’re on candid camera!” Entering into the main foyer through a second set of glass double doors, one finds a few chairs, a brochure stand, a magazine holder, and a receptionist behind a glass divider. The door to the tenant and administrative spaces is keypad protected.

About the Sponsoring Organization

There is no sponsoring organization that launched the South DeKalb Business Incubator (SBDI). The organization was founded by a community group solely as an economic development initiative of which the SBDI was the only component.

About the Incubator Program

The South DeKalb Business Incubator is the only mixed-use incubator in the Atlanta, GA area. It is also 1 of only 11 incubators in the United States with an on-site commercial kitchen. This incubator program is well known in its region, having received awards on the city and county levels for its program’s successes. The program, located in a Federal Hub Zone, is a nonprofit 501(c)3 corporation and is a public/private partnership supported by the Federal Government, the State of Georgia, DeKalb County Government, Metro Area banks, Georgia Power, various

schools, universities, and private businesses. The SDBI operates the Atlanta Minority Business Development Center on its premises.

SDBI is home to 3 commercial kitchens, all of which are available for use by incubator clients. If residents from the community want to use the commercial kitchen, they must first be registered with the program's Incubator Without Walls (IWW) program. All kitchen users must also obtain a license from the health department. IWW members are charged \$15 per hour for use of the kitchen, and if kitchen users are tenants who have a space in the building, they are charged \$8 per hour. As the SDBI program is one of only 11 incubators in the United States with a commercial kitchen, the incubator director, Richard Younge, was asked if he foresaw this as a new, growing trend among business incubators. He replied,

I think that for what you refer to as Empowerment Zone incubators, it could be a powerful trend, and it's very much needed... very much needed. You've got a lot of people trying to cook out of their homes and they're operating illegally, and you know, not only that, but it's dangerous. You can easily poison somebody operating without the right regulations... At the time that we did it, we knew it was needed. But we didn't realize that it was going to be hit as hard as it was...

A committee led by a local activist named J.L. Johnson, State Representative Henrietta Turnquist, and the county CEO at the time implemented the program as a community development initiative. Planning for the South DeKalb Business

Incubator began in 1991, though it did not open until 1995. The incubator operations moved to its current address in 2000. Prior to their moving in, this facility, which had previously been owned by the Atlanta Rehabilitation Center, had been a vacant, inner-city eyesore for the 5 years preceding their move. The building, appraised for more than \$2.5 million, was purchased by SDBI for around \$500,000. DeKalb County and EDA helped with the purchase of the facility. Before, there was SBDC in the county that worked with the University of Georgia, as well as SBA and SCORE that worked on economic development initiatives prior to the opening of the original incubator facility. Currently, the incubator employs five full time workers, including the executive director, a financial officer, an administrative assistant, a custodian, and a chief operating officer. 100% of the incubator participants are minorities—because the surrounding community is African American, so are the tenants. In the past, however, the incubator has hosted other groups such as Hispanics, whites, and Jewish. At the time of the interview, the incubator was playing host to 26 businesses with an additional six programs in its Incubator Without Walls program. Since its opening, the incubator has assisted about 200 businesses through its tenant and Incubator Without Walls program.

The South DeKalb Business Incubator has achieved notable, measurable results in its short tenure in the Atlanta area. In its impact statement, its tax impact on the area alone (federal, state and local) has made contributions of over \$1 million,

11 incubator graduates since 1995, and 42 new jobs for the South DeKalb community.

About the Incubator Leadership

Richard Younge is the Executive Director of the South DeKalb Business Incubator, although he also serves as the program manager (program budget cannot currently support an additional individual to fill this position). Though he is not the founder of the SDBI program, he has launched 2 other business incubators in his career. He started working with incubators in 1986 and came on board to work with SDBI in 1995. The people that were putting the SDBI program together met Younge at an NBIA conference where they talked about the idea, and they offered Younge a position at the incubator. For Younge, this position represented more autonomy, because the staff position he was occupying at the time was limited as the incubator manager.

In addition to Younge's position, there are three other staff persons, including a Chief Financial Officer, a Receptionist, and a Building Maintenance person. Though they are not an official part of the SDBI staff, members of the Minority Business Development Center serve as the organization's contract consulting staff, holding office hours 8-10 hours a week on an as-needed basis. These 5 employees work a 20-county area, offering technical assistance to business owners. There are about 6 individuals who also serve as "semi-volunteers" with the incubator program.

Mission and Goals of the Incubator Organization

According to the organization's brochure, the South DeKalb SDBI says of its program, "The South DeKalb Business Incubator (SDBI) provides an educational and nurturing environment which helps facilitate growth and development of small businesses in their formative stages. SDBI seeks to aid in the creation and retention of job opportunities in the community through development and expansion of dynamic small businesses. SDBI encourages entrepreneurship and promote the overall economic revitalization of the South DeKalb commercial business area."

Focus of the Incubator Organization

The South DeKalb Business Incubator is a private, non-profit incubator organization that provides business development services in South DeKalb County. The site supports light manufacturing, domestic and international distribution, food processing, and construction contractor businesses.

The SDBI is excited about its most recent focus—its Foreign Trade Zone designation. SDBI is the first incubator in the world to have a Foreign Trade Zone. Through this designation, the incubator may incubate small import/export businesses whose goods can now be imported directly into the incubator from abroad without having to go through extensive U.S. Customs requirements.

This incubator program attempts to ensure that its tenants know that the program offers more than simply cheap space to house a business. The SDBI Handbook writes, "It cannot be stressed enough that SDBI is not 'low-rent office

space’—it is a business development program. For tenants to fully gain its benefits and for SDBI to be successful, tenants must participate in the required components.”

Technical Assistance

Richard Younge performs a Business Needs Assessment (BNA) for each participant upon acceptance into the SDBI program. He then utilizes the BNA to identify the weaknesses of the entrepreneur upon which his technical assistance energies need to be focused. The business owner and Younge agree on the priorities that need to be addressed, and they work together to develop a work plan to address the priorities.

The program also offers some mentorship of businesses through volunteers in the community. Mentors are expected to spend 2-4 hours per month with their assigned tenants, and they should be available to tenants to answer questions and offer advice on a broad range of topics.

Incubator Facility

Incubator operations are housed in a 47,000 square foot facility. SDBI owns the incubator, so there is no debt on the facility. The incubator is almost at full capacity and is just getting to the point where they are experiencing more demand for space in the incubator, but Younge explains that he is saving some of the space for Federal Trade Zone businesses (he doesn’t know how much longer he is going to do this). SDBI’s program affiliates and partners in the community give referrals to entrepreneurs about the space available in the incubator, and Younge writes a weekly

column in the newspaper that gives exposure to available space in the incubator as well. About 15-20 people per week come to the incubator orientation, interested in gaining space into the incubator. Though the incubator does not have advertising, it does have a significant amount of publicity.

Rent varies with the type of space, ranging from \$6 to \$10 per square foot, which in incubator circles is a little high, but these costs are necessary to cover the overhead for the facility in light of the budget cutbacks from government funding.

Admission to the Incubator Program

For business owners who desire to partake of the products and services that the incubator has to offer without taking up residency in the incubator, SDBI offers its Incubator Without Walls program (IWW). Businesses that are not quite ready for entry into the incubator are also encouraged to participate in this program.

Participants in this program receive a private mailbox to use for their business address, access to the copier and fax machine, an internal mailbox for incubator correspondence, use of the conference room by reservation, use of kitchen facilities by reservation, access to online computer work stations and ongoing business counseling and assistance. As stated on SDBI's website, "The IWW Program is designed to make your virtual office environment pleasant, efficient, and fully functional for conducting day-to-day activities, meeting clients and making your best impression!" Participants in this program pay a one-time enrollment fee of \$25 and

a \$200 quarterly program fee, which averages to \$67 per month for affiliation with the business incubation program.

Special consideration may be given to businesses that have the ability to export their products beyond local markets and those that have use for the organization's Foreign Trade Zone designation for imported goods, as the SBDI believes that the International Trade Zone is the new frontier.

Incubator Residence Requirements

Entrepreneurs interested in entering the incubator program begin the admissions process by completing an Initial Contact Form. Younge then meets with the entrepreneur, reviews the form with him or her, and explains what is required in the program. If the individual wants to continue the process after this point, a formal application is completed and submitted to the program along with a \$50 nonrefundable application fee. This formal application is then forwarded to a selection committee, composed of three of the organization's board members. The entrepreneur will make a presentation to the selection committee—background, information about him/herself, the vision of where the business is going— and the committee assesses the business based on a list of basic criteria. While discussing the entry requirements for his Atlanta-based SBDI incubator program, director Younge notes,

We start with employment potential. We start with companies that have

employment potential. We don't accept professionals. We don't accept lawyers, doctors, insurance professionals, real estate brokers—any of those types of people. Because they don't have good employment potential...psychologists, psychiatrists, consultants—none of those kinds of people. And then, the second thing that they're looking for is that they actually fit within the types of businesses that we have in this facility. They fit in the zoning. That they don't have anything toxic or any EPA violations within their business—you know, we don't take any people that are recapping tires. We take clean, light industry. And then, finally, they look at the owner's experience in the business and then they look at the likelihood of success.

In order to be a part of the SDBI program, entrepreneurs must be full-time in their business. He explains,

When they come into the incubator program, we want them to be full-time in their business. We don't want them to have a job on the side, and they're operating a business on the side. Sometimes, they'll get in here and they'll get in trouble, and they'll get the job on the side, but we don't want them to come in here under those circumstances.

Financial information must be submitted to the incubator program manager every quarter. If these are not turned in on time, a series of fines are assessed to the business that can go up to \$500. Normally, the business will be charged \$250, and if

the business continues to fail to cooperate, it is asked to leave the program. This is referenced in the lease and is put in as an addendum to the lease.

Tenants of the incubator are required to take part in an initial business evaluation, planning, quarterly reviews, and the submission of quarterly financial information. Younge gave details about seminars and workshops that are made available to tenants, but these are not mandatory. There are only a couple of mandatory seminars that incubator tenants are required to attend annually, including a tax seminar presented by the IRS. The other mandatory training has consisted in the past of such topics as Internet training and a presentation from the Department of Labor—topics that the incubator considered critical to businesses no matter what the business they are in.

Graduation Criteria

The SDBI Handbook explains that “it is expected that most tenants will graduate from the Incubator program within three (3) years. The tenants and the IWW participants will be aided and directed by the Program Manager, whose task is to help the businesses outgrow the Incubator and no longer need its support services.”

Though the incubator serves the needs of many companies, not all graduate from the incubator. According to Younge, more companies leave the incubator than actually graduate for a number of reasons including the space becoming too small, gaining the opportunity to move into a retail spot, or they use the incubator as a

stepping stone and do not graduate from the program. Another reason clients leave the incubator is through eviction. In the last year alone, the incubator has evicted four of its tenants due to excessively late rents. Once the tenant becomes 90 days past due, an eviction notice is sent to evacuate the incubator space. The incubator is flexible in this policy, as each of the tenants evicted in recent years was considerably more than 90 days past due and expressed an unwillingness to cooperate with the program. None of South DeKalb Business Incubator's businesses have left the incubator because the business fails or they close their doors. Consistent with incubator successes nationwide, quite the opposite is true. Because the incubator condenses the overhead for the incubator into one reasonable monthly rent, the businesses realize much higher odds of success for survival. Of the eleven businesses that have graduated from the incubator, all of them are still in business except one, in which a partnership dissolved its operations due to a reported love triangle.

Available Services and Resources

SDBI provides counseling, business planning, a strong support network, affordable space, and business support services in an attempt to encourage entrepreneurial behavior while minimizing risk. In addition to the standard amenities that incubators offer in general, the SDBI also offers:

- Affordable office or production space
- On-site facility management

- Secretarial support
- Professional copy and fax machines
- Internet and computer network access
- Professional conference room with presentation equipment
- Use of 3 fully-equipped kitchens
- In-house seminars and educational support
- Ongoing business consultation and counseling

At SDBI, though the incubator does not have its own loan pool, the program staff assists clients in securing financing alternatives to fund their businesses such as SBA loans, private investment, and resources for debt financing. Since very few companies have finance plans that are workable, the incubator program manager assists tenants in assembling loan packages for presentation to potential funders.

Volunteer professionals come to the SDBI program to offer workshops and seminars. The one main stipulation concerning these volunteer speakers is that they are not allowed to come in and “do a one-hour commercial on their business.” Rather, they must offer information that is relevant to the industry. After the presentation is made, the speaker can feel free to speak to tenants about his or her business needs.

Challenges

Younge’s three greatest challenges in working with this type of incubator is funding.

Funding is a problem because you need funding for operations. Operations funding is the hardest kind of money to get because it's not an event-oriented thing. Philanthropists like to put their money into something that's event oriented so that they can make a big splash and so that everyone can see how wonderful they are at that moment in time. It serves a publicity purpose.

The second greatest challenge is getting the necessary personnel to consult with the businesses.

Inner city businesses—Empowerment Zone businesses as you are referring to them—need a lot more hands-on kind of consulting than other types of incubators. Most of those other types, the people that you have are people that have been downsized out of management positions and so forth. They already understand business, and they're pretty well along the way. You give them some pointers here and there and they can follow through with it, and pretty much frame up their own business plans and marketing plans, and whatever. Whereas in the Empowerment Zone, you have people that have skills. Blue-collar types that have good solid skills and can create great goods, and in many cases services. But they don't really have a business background. So you really have a lot of hand-holding to do to walk them through the whole business start up and business development process.

The third biggest challenge here is collecting rents. Younge elaborates,

...Primarily because, and this is my belief, that most of the people who are

involved in the inner city or in Empowerment Zones feel that these programs are government-funded and they shouldn't have to pay. And when we try to collect from them, they feel that we're collecting money that we've already got from the government, so we're collecting extra money. So they don't see that as a vital part of remaining here, and when we look to try to evict them, they raise a terrible stink about a business development program that's putting them out of business—which gives us, as you can imagine, some bad press. But it's a necessary evil...So we find ourselves having to evict companies that we really would not like to evict.

Rents collected at the incubator comprise 50-60% of the incubator's operating budget.

Another challenge for the SDBI program is that its tenants do not take part in the program's offerings, such as workshops, seminars, and other presentations designed to effectuate change and success in their business. Younge explains,

We don't—you know, and that's one of the difficult things is that we don't get a lot of participation. Now, if we have a seminar on how to go about getting money, we'll have a full house. But anything else, any other subject, and we've got one or two that come in.

Working with inner city populations has its own unique set of challenges as well. Younge highlights one aspect of this challenge, the credit rating and how it impacts clients' businesses:

Here [in Georgia], if you've got a bad credit rating, you can't open a checking account. There are a number of them that can't open checking accounts, so they're running back and forth to the liquor store to cash checks from their customers, and this gets to be ridiculous.

Best Practices

The SDBI's best practices include bringing on the Minority Business Development Center. Secondly, the incubator was located on the public bus line. Third, Younge explains that the incubator looked closely at the community and the kind of jobs that the community needed:

We targeted the industries that would provide those kinds of jobs... We have manufacturing, distribution and food processing here, and the kinds of jobs that we felt would best benefit these people were shipping and receiving clerks, truck drivers... you know, jobs for people who are high school graduates and entry level kinds of things. And cooking is certainly a huge part of the community. In fact, if we could make this whole thing a kitchen incubator, we could fill it up.

Younge feels that the strongest component of his program at SDBC as it stands is the consulting component with the Minority Business Development Center, not because it's the most effective but because it's the most needed.

Advice from the Experts

When Younge initially began implementation of the incubator, the only employees were himself and a secretary. Therefore, he lists a number of attributes that he deems essential in someone who might be trying to implement an incubator design utilizing only a small core staff that reflect having a varied background and resourceful experience:

You need to be an entrepreneur. You need to have been an entrepreneur at some point in your life. The best base for me—for inner cities and the kind of incubator we run—is an accounting background. Accounting and tax.

You know, even though a lot of businesses need help with marketing, most business people, when they start out they have an idea that they have a sellable product, and they have some kind of idea of where they can sell it...

What they don't have is any idea whatsoever of how to set up or run an office or administer an operation. It is really an eye-opening experience when you see some of these guys and the way they start out doing business. Their money in their pocket, and everything done on cell phone, you know and the whole business operates like that. And then they end up in all kinds of trouble without knowing that they're in trouble...

Vision

Just within reach of the SDBI is a new business development program, namely a state-of-the-art retail/service incubator facility that will house 15-20 retail

stores and as many service businesses. This project is entitled the Candler Road Revitalization Plan, and it will work most types of service businesses and specialty retailers. The goal of this new incubator program is to help local retailers become state of the art in their offerings.

Appendix 3. Data from The Entrepreneurial Center

The Entrepreneurial Center

110 12th Street N.

Birmingham, AL 35203

(205) 250-8000

www.entrepreneurialctr.com

Researcher Notes

The original research scope for this research project was to study what the incubator industry defines as an empowerment business incubator (see section on Empowerment Business Incubators). The Entrepreneurial Center is not an empowerment business incubator. It is a mixed-use incubator located in the city center in Birmingham, Alabama. I promised to make this point carefully and clearly before affiliating the organization with my research project, as the incubator manager considers labeling to be vital to her program's success. I was pointed in the direction of The Entrepreneurial Center from another incubator director when I asked for her recommendations of incubators whose focus is the revitalization of distressed areas, something that this organization is accomplishing through its economic development and job creation agenda. While The Entrepreneurial Center is purchasing more buildings and beautifying more space in Birmingham's dilapidated city center, I

must expressly communicate that the program by no means has any social agenda connected to its mission, goals or vision. In spite of this, I am utilizing the data gathered from my research at The Entrepreneurial Center, however, as I gained some very valuable advice from its very experienced manager, Susan Matlock. She made it very clear at the beginning of our interview that, “In terms of our purpose, I’m concerned about the area around me but only as it affects my companies. I’m not a part of a neighborhood or any of those things.”

I must also mention that a very great part of my interview time with Ms. Matlock surrounded the issue of the definition of “empowerment incubator.” Like many that I have encountered during this research project, Matlock balks at this term, as it implies that the incubator program has a social agenda. Further, her incubator organization does not serve any particular special clientele. She makes plainly clear that the bottom line of The Entrepreneurial Center is to help her businesses make a profit—that’s it. She also disagreed that the term “empowerment” should even be utilized when speaking of incubators, and she questioned how I came up with this category and its definition. I explained to her that the category came directly from the National Business Incubator Association itself. Matlock had never heard this term affiliated with any of the NBIA’s research or writings, and upon my insistence that this is where the term came from she pulled out a book, *Growing New Ventures, Creating New Jobs*, to further investigate. This book that she co-authored with Rice and Matthews (1995) did indeed mention the category of empowerment incubator

and went on to define it as I had previously defined it for her. We then had a very lengthy conversation about the label “empowerment” with Matlock urging me to contact the National Business Incubator Association to find out why they insist on using such a term, as it is not a relevant incubator category. After much conversing, I agreed to contact the NBIA to gain further clarity on why this term is utilized and to protest its use in incubator research.

The buildings in the urban area surrounding this incubator on a biting cold, gloomy day are those that testify of the glorious times that the city of Birmingham once experienced in its heyday. At some point, however, it is evident that there was a massive flight out of the city’s center, for there are numerous large, vacant, distressed-looking buildings that lend to the depressed atmosphere of the area’s city center. The Entrepreneurial Center is a long, one-story brick building that takes up just about a block in the middle of this environment. It has lots of ample parking and a small sign out front that identifies the facility by name.

The entryway for the business incubator opens into a large reception area featuring a grand u-shaped reception/security desk. On one side of the room, there are staff offices, while on the other, there is the entryway into the organization’s conference room. Just behind the u-shaped reception /security desk is the office of the legendary Susan Matlock, a woman who has been able to make great things happen in Birmingham with her entrepreneurial vision and drive. She comes out to greet me just a couple of minutes after I walk into The Entrepreneurial Center.

About the Sponsoring Organization

There is no organization that serves as the guiding sponsor for The Entrepreneurial Center. It is a program that functions on its own, governing itself by an independent Board of Directors. The Entrepreneurial Center organization itself is an economic development organization that is sponsored by the City of Birmingham and the private business community that is governed by a 30-member Board of Directors, upon which every major bank in the Birmingham community and most major corporate entities are represented.

About the Incubator Program

The Entrepreneurial Center initiated operations in 1986 and promotes itself as “the premier economic development organization in the Metropolitan Birmingham area dedicated to helping entrepreneurs and emerging businesses succeed” (Five Year Business Plan). The program is a not-for-profit 501(c)3 business incubation program dedicated to helping emerging technology, service and light manufacturing business develop, grow and succeed.

The program has received its number of accolades, both nationally and internationally including being 2000 National Business Incubator Association (NBIA)/Dun and Bradstreet Mixed Use Incubator of the Year; two NBIA Graduates of the Year; NBIA Tenant of the Year; hosting five of the Fastest Growing Companies in Birmingham in 2002; Entrepreneur of the Year in 2001; cited by Inc. Magazine as an example of “Incubators That Work.” Further, the businesses

associated with The Entrepreneurial Center have had an impact in the Birmingham area exceeding \$500 million in revenues over the past 4 years.

The incubator program is 80% internally funded—they own the building debt free. The incubator must generate its own funding to make up the balance. Aside from a contract with the City of Birmingham that provides additional funds in exchange for providing services for entrepreneurs, the incubator also has a smaller contract with Jefferson County. The operating budget for The Entrepreneurial Center is just under \$1 million per year. No more than about \$60,000 of this comes from the private sector.

There are seven full-time staff members for The Entrepreneurial Center and six staff members that serve OADI, the technology program affiliated with The Entrepreneurial Center. These staff members include such positions as capital campaign coordinator (fundraiser)—though prior to this time, Matlock had done all of the fundraising, an information technology staff member, and a staff member dedicated to client services.

About the Incubator Leadership

An early pioneer of business incubation, Ms. Susan Matlock serves as both the founding President of The Entrepreneurial Center and the Executive Director of the Office for the Advancement of Developing Industries (OADI), an incubation program serving biotechnology and information technology businesses. Ms. Matlock has an extensive list of involvement in the entrepreneurship and business

industry in the city of Birmingham and the state of Alabama as well, chairing councils and serving as a member of the Board of Directors for a number of different entities. She also has received recognition nationally, including serving as the Chairman of the Board of Directors of the National Business Incubator Association from 1994-1995 and serving as NBIA Vice-Chairman and Treasurer. She has co-authored two books on business incubation: Growing New Ventures, Creating New Jobs and A Comprehensive Guide to Business Incubation.

The mayoral staff in the City of Birmingham decided that they wanted to develop an economic development tool; they chose an incubator predominantly because “everyone else had one.” This began the process of a series of meetings with the 30 most influential CEO’s in the community who met with the mayor every other month to come up with a solid economic development plan that included a business incubator. Once a feasibility study was completed and approved, Matlock was brought on board to spearhead the effort with a 6-month contract. This occurred during a time that she describes as “the first fad of business incubation,” when people “made things up as they went” in developing a business incubator program. Prior to her founding of The Entrepreneurial Center, she had no previous incubator experience.

Matlock’s background had been in banking (she was a lender), and she had also done some economic development recruiting for a business that recruited different industries.

Mission and Goals of the Incubator Organization

The Entrepreneurial Center describes as its underlying objective the enhancement of the survival rate of emerging technology, service and light manufacturing businesses, resulting in job creation and economic diversity in the Birmingham community. There is also an expectation that the Entrepreneurial Center itself will contribute to the economic vitality of the distressed city area in which the rehabilitated facility is located.

Right now, this incubator is focusing on the major goal of becoming an economically self-sufficient economic develop tool. The means of accomplishing this is the incubator's capital campaign which will raise \$7 million over a five-year period-- \$3 million in private investments from the community, in addition to funds already committed which include \$1 million from the city, \$1 million from the county, and \$2 million will come from national and federal grants. After this capital raising campaign, the organization will "never" seek funds from the private sector. In Matlock's words,

We tell the business community, 'We'll hit you hard one time. And once we raise this money, you won't hear from us again.' We will be self-sufficient, and we just won't need it. For an economic development organization to do that, well that pleases them very much.

Focus of the Incubator Organization

The Entrepreneurial Center is a mixed-use business incubation program. Because part of the organization's purpose is to grow the economy and the job base of the surrounding community, the incubator will only allow entry to companies that offer growth opportunities. In addition, this provision also excludes restaurants, retail and businesses that offer professional services.

Technical Assistance

In addition to offering help with the development of a business plan, formulation of marketing strategies, and discussion of proprietary rights protection issues, the staff provides tenants with access to a professional network that serves as a support group comprised of accounting, insurance, payroll and legal firms. Each of these firms offer discounted rates to small, start-up companies within the incubator.

Incubator Facility

The Entrepreneurial Center is a 48,000 square foot, one-story facility located in the city-center of Birmingham, Alabama. It houses staff offices, tenant spaces of various sizes, conference room facilities, and storage for tenants among other amenities.

The Entrepreneurial Center facility is located in a recently designated Entrepreneurial District by the Birmingham City Council as a result of recommendations from the Birmingham Area Technology Leadership Alliance. As a result of this Entrepreneurial District Designation, the City of Birmingham can offer

incentives, such as tax credits, for businesses to locate in the district. The area has high hopes for the changes that will occur as a result of this designation, for as companies move into the new Entrepreneurial District and The Entrepreneurial Center undergoes its own expansion, it will breathe “new life into a long neglected area of the city.” According to The Entrepreneurial Center, “The City of Birmingham’s recognition of the area as an Entrepreneurial District and provision of tax incentives to new and emerging technology businesses is an attempt to provide the quality of life amenities needed to attract high paying jobs to the area” (Entrepreneurs’ Ink Fall 2002, vol 7, no. 24).

Between The Entrepreneurial Center and OADI, there are a total of 48 companies that have residence in the incubators. The incubators do not offer “cheap” space, but rather, competitive space. As companies enter, they are allowed to occupy only the amount of space that they need, and they are allowed to move to a larger space as the business expands.

Admission to the Incubator Program

There are three criteria for which the incubator staff at The Entrepreneurial Center is searching in prospective companies applying for admission into the incubator. First, the applicant must present a completed business plan which should clearly demonstrate an understanding of a market (ie., people who are ready, willing and able to buy the product or service). Next, the plan should realistically show how the business would be financed. Finally, the incubator staff members must be able to

discern a full-time commitment from the applicant before the business will be allowed to enter the incubator. The Entrepreneurial Center receives 60-70 applications per year.

Incubator Residence Requirements

Requirements for maintaining residence in The Entrepreneurial Center include providing financial statements on a regular basis. Additionally, tenants are required to maintain a minimum of \$1 million in liability insurance. Companies must also be open to discuss any problems and challenges with the incubator staff, as the staff deems necessary.

Rent is due by the 10th day of the month. After the 10th of the month, a late fee is assessed amounting to 10% of the tenant's monthly rent. Further, the rent goes up every year. It is the expectation that the company's growth will be able to facilitate these increases as they are assessed annually. Clients are placed in the smallest space needed by their business and can plan to move 4 to 5 times before they graduate.

Graduation Criteria

The Entrepreneurial Center has a target maximum duration of stay of five years but notes that the average company is in an incubator only two to three years. As a company grows and becomes more stable, it is expected to graduate from the facility. Part of Matlock's plans to expand her organizations operations through

securing other nearby facilities includes having space for her incubator graduates once they spin out of the incubator. She explains,

What I'm trying to do, though, is, one of the things that has happened over the years is my companies graduate from here—they love this place, and they'd really like to stay—and if they leave, they'd really like to be in the community, but there was really no place for them to go.

Matlock is excited about the entrepreneurial district designation that was recently passed for her surrounding area that will give her graduates a place to locate their businesses in the future.

Successful graduates include Emageon, a developer of digital imaging software for the health care industry. Emageon now has 65 employees and was listed as Birmingham's Fastest-Growing Company in the Emerging Companies Category (Less than \$10 million in annual revenue) for 2002. Another successful graduate company is Group 8760, a company that focuses on enabling companies in the world of deregulated energy to communicate and do business with one another over the Internet in a secure and standardized fashion. This company grew from 4 employees to 15 during its 5 years in the Center, and it graduated in 2001 with annual revenues of \$1.25 million.

Available Services and Resources

The Entrepreneurial Center and its OADI affiliate offer a wide range of business and professional services to tenant of the incubator facilities.

Other services offered by EC and OADI include:

- Business Plan Development and Guidance
- Identification of Finance Alternatives
- Strategic Planning
- Business Seminars on a Variety of Topics
- Mentoring from Staff and Board of Directors
- Networking Opportunities
- Initiation of Contacts for Strategic Partnerships/Business Alliances
- Information on Business Events in the Area
- Shared Receptionist (Sign for Packages; Meet and Greet Visitors)
- Telephone Answering and Nortel-Meridian Telephone System
- Business Library
- Business Software and Online Services
- E-mail Address
- Web Site Design and Hosting Services
- Janitorial Services
- Dedicated T-1 Lines to Internet
- Conference Room Facilities
- Access to Office Equipment

Copier (Four Color and Black/White)

Fax Machine

Postage Machine

Shredder

Binding Machines

- Security System and Card Access Entry
- Fire Resistant Safe
- Parking
- Mail Center with Fed Ex Drop Boxes, Postage Meter, Scale
- Tradeshow Booth and Tabletop Display
- Audio Visual Equipment
- Typewriters
- Employee Lounges
- Tenant Storage Area
- Outdoor Terrace
- Notary Services
- Resume Bank
- UAB Library Privileges
- Website Design
- Design Services (Brochures, PowerPoint Presentations, Letterhead, Business Cards)

The Entrepreneurial Center and OADI also periodically offer workshops and seminars utilizing Board members and professionals from the community. These

events cover topics such as “Patent Law,” “Dress for Success,” “Business Process Re-engineering,” and “Harnessing the Power of the Internet.”

Challenges

One aspect of business incubation that did not work for The Entrepreneurial Center is mentoring. This is further evidence that what may work in some communities may not work in others. Matlock elaborates,

For one thing I did a mentoring program here at one time, didn't work for me, but I've seen it work other places...The volunteers that I had were big corporate [types], and so they can't identify. You know, to them, when you talk about marketing and creating marketing materials, they call the marketing department. They don't have a clue.

Best Practices

Among the strongest components of her programs, Matlock lists the flexibility in the lease spaces available to entrepreneurs. As she explains, “I'm not selling cheap space, I'm selling added value.” While tenants will start out paying below market-value rents, by the end of their stay, they will be paying at least market level rents, probably more. This is because The Entrepreneurial Center offers things that these entrepreneurs just cannot get anywhere else. Matlock also believes that the networking and business partnership aspect of her programs is a vital, successful component of the program.

In regards to best practices, Matlock does not believe that researchers should focus on a different set of best practices, but rather they should adhere to best practices that have already been outlined in the literature, namely a book that she co-authored, *Growing New Ventures, Creating New Jobs* (Rice and Matthews 1995). With further prompting and much hesitation, she did, however, provide a short list of best practices outlined in aforementioned book that her organization practices and holds in high regard. These include first being a role model for tenant companies by running the incubator like a business. Second, get credit reports. Next, she explains that incubators should customize their offerings for every company in the incubator. Matlock promotes the benefits of 6-month reviews for incubator companies. Finally, she sums up her list of best practices by saying that the best practice is to do all of the best practices in the book.

Advice from the Experts

The type of backgrounds that would benefit an incubator manager are banking, lending, economic development, fundamental business skills, economic development, and community fundraising.

Vision

The vision of The Entrepreneurial Center for the future is carefully spelled out in its five-year business plan for potential investors and supporters of the entrepreneurial community. Its vision is to create an Entrepreneurial Campus in Birmingham's city center, which will offer space and services for 45-50 emerging

businesses. The program will accomplish this through the debt elimination and renovation of 3 buildings, totaling 25,000 square feet that have been previously purchased across the street from The Entrepreneurial Center. The program will also acquire additional properties, renovate other properties that already belong to the center, create a campus environment through common exterior appearances and common landscaping treatments, and expand and improve programs and services offered to clients and emerging businesses to achieve greater economic impact more rapidly (Five-year Business Plan). As one company's president expressed regarding this vision, "The Entrepreneurial Campus, beyond creating high paying, high value, quality jobs, is an important piece to the downtown revitalization puzzle" (Five-year Business Plan).

Appendix 4. Data from EmPOWERment

EmPOWERment, Inc.

Midway Business Center

109 N. Graham Street, Suite 200

Chapel Hill, NC 27516

(919) 967-8779

www.empowerment-inc.org

Researcher Notes

The Midway Business Center is located in an area that is adjacent to the University of North Carolina campus in Chapel Hill. The small town atmosphere complete with casual college students did not appear to resemble an inner-city area as I searched the street signs for the turn that would take me to the empowerment incubator that was the Midway Business Center. As I turned onto the street where the incubator was located, I began to see more and more signs of a distressed community, for right around the corner from the main street that was teeming with UNC students, less than one block away, there lay the inner-city neighborhood that made this empowerment business incubator relevant to its area. There were numerous African Americans casually “hanging out” in the street, urban-styled youth playing around with one another, littered sidewalks, dilapidated houses, and more

evidence that testified to the disadvantaged status of this neighborhood. The Midway Business Center is a redbrick, two-story structure in the middle of it all. The small parking lot opens to the back of the relatively small office building. There is a front entrance that I later discover on my guided tour of the facility, but it opens out onto the main street, upon which there is no parking.

I enter the facility and walk down a very short hallway to take the elevator to the second floor where I will meet with the incubator director. The atmosphere of the Midway Business Center is a bit disorderly and casually “non-profit”, housing multiple desks in its main administrative office as well as a soft sofa and play area for children. I am first greeted by a lady who explains that she and her spouse provide training for EmPOWERment, which is the non-profit program that hosts the Midway Business Center. After an interesting 5-minute conversation with her, Jeff Caiola, the manager of the incubator, enters to begin our interview and tour of the incubator facility.

About the Sponsoring Organization

EmPOWERment, Inc. was launched in 1998 to help working families in Chapel Hill and Carrboro reclaim their economic and political power, reclaiming their communities by combating gentrification, expanding homeownership opportunities, organizing to build stronger neighborhoods, and helping new and emerging businesses grow into strong local employers. The organization hosts five programs to impact the lives of those in the surrounding community: Preservation

Housing Program (an initiative to combat gentrification in traditionally African American communities by building and renovating homes for sale to low and moderate income families), The Community Homebuyer's Club (a five-week program designed to take families step-by-step through the process of buying their own home), Neighbors United (a grassroots coalition of neighborhood associations that work together to combat drug dealing, energize local residents, preserve the community and strengthen neighborhood associations), The Midway Business Center (an initiative to promote entrepreneurship by providing affordable office and retail space, business development services, and access to shared resources), Chatham County Affordable Housing Coalition (a collaborative effort of nonprofit agencies and individuals working to expand opportunities for home ownership and financial education in Chatham County) and Youth Creating Change (YCC, a youth led and youth run organization created to focus on African American and other minority youth issues).

About the Incubator Program

EmPOWERment, Inc. operates The Midway Business Center, Chapel Hill-Carrboro's first small business incubator. It has been in existence since December 2000. Caiola reports that the incubator receives 70% of its budget from tenant rents.

About the Incubator Leadership

The business incubator is managed and directed by Jeff Caiola. Fulfilling these responsibilities in the incubator is not his full-time responsibility, however, as

he is designated as a half-time employee for the incubator and half time for EmPOWERment. In addition to managing the incubator, Caiola is also the fundraiser and grant writer for the Midway Business Incubator. In 1999, Caiola was a graduate student seeking an internship when he heard about EmPOWERment's director in August of the same year. He became involved in a project with the incubator as an intern. When he graduated in May 2000, the director of EmPOWERment hired Caiola as the Business Manager and Associate Director. Caiola did not have much experience with finance and economic analysis prior to coming on board, and he admits that this is one of his drawbacks.

Mission and Goals of the Incubator Organization

The Midway Business Center outlines as its mission, "To create an environment that is conducive to the growth and development of entrepreneurial enterprises by providing educational resources and opportunities, physical space, services, and support programs for emerging businesses." To stimulate growth in the local economy through job creation, development of products or services, and investment. Among its goals, the organization lists four: 1) To provide rent and services as cost effectively as possible, while operating the center on a self-sustaining basis; 2) To foster positive communication, interaction and business opportunities among members and associates, the Center's Board of Directors, the Chapel Hill-Carrboro Chamber of Commerce, Durham Technical Community College, Small Business Technology and Development Center, Good Work, Senior

Corps of Retired Executives, and the local business community in general; 3) To market and promote the Midway Business Center as the focal point for entrepreneurial development in Chapel Hill and Carrboro on an equal opportunity basis; 4) To provide support and encourage participation in educational programs that will maximize the number of successful business entrepreneurs from the Business Center.

Focus of the Incubator Organization

The incubator describes itself as “seeking a diverse range of businesses to foster a creative environment where members and associate members can learn from each other and from the partners of the Midway Business Center.” The incubator allows tenants from retail to office or service-based companies to technology startups and beyond to occupy space in the incubator if the business meets certain specified admission criteria. The program also openly encourages women and minority entrepreneurs to apply for membership in the incubator. Currently, the incubator hosts a total of 14 tenants, 8 of which are minorities, 5 of which are women, and 9 of which are men. The incubator both the retail and commercial office spaces at the incubator are at 100% occupancy, with the exception of one small office space that was available at the time of the interview.

Technical Assistance

Caiola provides technical assistance between normal working hours, usually 9 AM – 5:30 or 6 PM. When asked about the provision of technical assistance,

Caiola replied, “It’s usually a drop-in basis and they just ask me whatever.

Particularly businesses that are here the most.”

Incubator Facility

The Midway Business Center is located 6000 sq. foot incubator facility in Midway, a historically Black business district connecting downtown Chapel Hill and downtown Carrboro. A little less than 4000 sq. feet is leasable space. The facility houses 13 offices (2 of these occupied by EmPOWERment) and 2 retail spaces that range in size from 120 to 500 square feet and ranging in space from \$250 per month to \$800 per month for the commercial space and \$725 to \$900 per month for the two retail spaces. All utilities are included in the tenants’ rents.

The land upon which the facility was built was purchased for less than \$200k, and the facility itself was built by EmPOWERment for \$591k. The total cost for the project was approximately \$820k. Monies to complete the project were raised from the town of Chapel Hill, the North Carolina Community Development Initiative, the town of Carrboro, and other sources interested in the development of small business in the area.

As a mixed-use empowerment incubator, the Midway Business Center hosts tenants such as US Link Telecom, a communications company that provides wireless phones, pagers, airtime service, etc.; Pedalers Express, a bicycle messenger company; Angels on Earth Homecare, a personal assistance home healthcare agency; HR Consulting, which is a financial literacy provider; and Vulcancraft, a developer

and marketer of high technology products for precision manufacturing. The incubator also houses two retail tenants including a clothing store and a beauty salon.

There are currently 14 business enterprises located within the incubator. Eight of the businesses are minority-and women owned, and six of the businesses are white-male owned. The incubator is not currently filled to capacity.

Admission to Incubator Program

If an individual is interested in becoming a member or associate member of the Midway Business Center, he/she must complete an application for admission, and this application will be forwarded to and reviewed by the Admissions Committee, which consists of 3 members of the Board of Directors of EmPOWERment, Inc. and the Midway Business Center manager, Jeff Caiola. Following the submission of the application, the application process consists of a preliminary meeting with the incubator manager where opportunities for growth are discussed, an Admissions Committee review, and a Board of Directors review. After a review of the applicant, the committee will determine whether the business may enter the incubator as a tenant or whether he/she will be offered an associate membership. If the applicant is granted space in the incubator, following approval by the Board of Directors, a one-year lease will be executed.

Caiola explains that the committee considers two main issues when considering a business for tenancy in the business incubator. First, he allows no competing businesses to be housed in the same building. That is to say, for example,

if he has one beauty salon tenant in a retail space, he will not allow another to occupy space in his incubator. Second, the prospective tenant must 1) be low-to-moderate income, or 2) be able to hire low-to-moderate income employees, or 3) be able to provide a service of value to low-to-moderate income community residents. A prospective tenant is not required to have a completed business plan, but he/she must agree to do one upon signing the performance agreement. (When asked further about not having a business plan upon entry into the incubator, Caiola explains that this is an issue at the incubator, for they tend to do more backtracking than they would like by assisting clients after they enter the incubator rather than offering preincubation services for the tenants.)

An individual can choose to become a member (tenant) or an associate member (non-tenant) of the Midway Business Center incubator. For a small monthly fee of \$25, associate members enjoy access to all of the resources and services offered to tenants with the exception of office or retail space. A member must sign a one-year lease that is renewable annually up to a maximum of 3 years. An associate member may also sign a one-year lease that is renewable annually up to a maximum of 3 years.

Incubator Residence Requirements

There are several incubator residence requirements at the Midway Business Center. Tenants must meet with the incubator manager quarterly and disclose financial statements for their business. Clients are also required to complete 3 hours

of quarterly business education either outside of the incubator with one of the Center's partners, or in-house at one of the seminars periodically offered by the incubator. Caiola mentions that about 60% of incubator tenants usually attend the in-house business education seminars. Incubator tenants are required to maintain comprehensive public liability insurance naming the Midway Business Center as an additional insured with minimal liabilities as specified by the incubator guidelines. As with many tenant/landlord agreements, if the incubator tenant falls one month behind on the rent, the business is asked to leave the incubator.

Incubator residents are asked to sign a Job Availability Clause and a Hiring Policy form upon acceptance into the incubator. The Job Availability Clause begins, "I (business owner), will ensure that 51 percent of the jobs or new hires for my business (business name) will be held by low- and moderate-income persons and within reasonable economic costs will provide training for any of these jobs requiring special skills or education." There is then a section where the business owner completes a "Listing of Permanent Jobs to Be Created" that requests position title, whether the job is full or part time, and whether the job will require special training or education. The Hiring Policy form begins, "I, (business owner), will publicize and make available all new positions for my business (business name) to all qualified applicants, including individuals with low- to moderate-incomes and minorities. I will work with the business manager from EmPOWERment, Inc. to ensure that all job openings are publicized through outlets and in print media that

specifically targets women, minorities and low- to moderate-income persons.”

Following this, there is a section where the business owner completes a List of Permanent “Jobs Currently Filled by Job Title” that includes space to indicate whether the job is full or part time, and to indicate how the job was advertised and filled.

Graduation Criteria

The Midway Business Center considers itself to have 2 official graduates and 4 companies that simply left the program. Of these 4 that left the program, 3 of the companies scaled back and are still associate members, and 1 of the companies went out of business. The organization has a flexible graduation policy. If the tenants need to stay longer and there is no waiting list for the incubator office space, incubator management will allow them to stay for an extended period of time. The longest least term for any tenant is expected to be three years. The incubator program expects that a business will be ready to function on its own by the time the lease expires in the third year of tenancy. The manager of the incubator will have a final review of the business’ progress at the end of the lease to evaluate its condition. After a business graduates from the incubator, the products and services of The Midway Business Center will still be available to offer support and technical assistance to the entrepreneur.

If a business requests to leave the incubator prior to the end of its lease, the business owner is asked to pay two months of rent as an early exit penalty. This allows time for the business owner to seek a new member to fill the space.

Available Resources

The size of the EmPOWERment business incubator limits the amount of resources that it can offer its incubator clients. The organization does, however, offer the essentials that will allow a client access to a professional working environment. The incubator provides services such as:

- Conference room
- Access to computers and Internet services
- Copier and fax machine
- Business seminars and workshops
- Business plan assistance
- Mailboxes
- Customer parking
- Audio/visual equipment loan
- Discount Chamber of Commerce membership
- On-going training and hands-on support
- Consultation and mentoring with a volunteer 2-person Board of Directors
comprised of successful entrepreneurs
- Reference library at Chamber of Commerce

- Collaborative environment with other emerging entrepreneurs
- Affordable retail and office space
- Building management and maintenance

The incubator leverages a number of partnerships in order to provide its lists of services to members of the incubator organization. Partners include the Chapel Hill/Carrboro Chamber of Commerce which provides incubator clients with discount memberships to the Chamber; the Durham Technical Community College Small Business Center which teaches entrepreneurial training to tenant and associate members of the incubator program; Good Work, which provides business training, and peer support, and helps to put loan packages together for low-to-moderate income incubator clients in addition to helping them present them to banks; the Kenan-Flager Business School, which provides interns to assist with a variety of tasks as needed by the incubator tenants and its associate members; the Small Business Technology Development Center, which provides incubator clients with individualized counseling to develop business strategies, business planning, access to funding, and other critical issues; and the Women's Business Center that also offers guidance to incubator clients. One of these partnerships would be offering a seminar the following day. Caiola describes,

Like tomorrow night, UNC's Law School is coming here with this group, they're called the Entrepreneurial Law Association and they're having an advising attorney to come in and do the supervising. We have them do a presentation just

on general business issues, legal issues for businesses, either from contractual type stuff, intellectual property, um business formation type stuff... you know, just the whole gamut of things you might want to consider that are legal issues that you could use or maybe legal assistance or even just that it's important to think about as business...or if even ahead of time if they even know ahead of time that there's an issue that they need assistance with, they can then partner with one of the law students...

The Midway Business Center offers workshops that are open both to the incubator tenants, associate members, and the community. These workshops are not actively publicized to the community, but in the future, Caiola may do so in order to increase the public's awareness of the building.

Additionally, the incubator has a small loan pool of about \$2,200, and this is comprised of the rents that are past due from several tenants. As Caiola collects these payments, he has decided to keep these funds set aside so that the incubator can have a small loan pool to assist tenants who might have a small financial need for their business.

Challenges

One of the greatest challenges of Caiola's that I identified during the course of the interview was that he was not an individual with heavy promotional abilities to sell his program to the community. For this, his program misses out on the types of

publicity that are instrumental in the success of incubators, and consequently, the clients miss out as well.

... Really something more than anything is just probably my personality. I mean, honestly, I just... I don't... I'm not a schmoozer. I don't love to go out and just like, schmooze with people and say, 'Hey, I've got this great thing going, you need to come and be a part of it and there's a benefit here for you.' Um, I think those are just people skills that it takes... and that's where the whole sales things that goes back to getting people involved. But a lot of it is. It's just sort of... a lot of it is pressing the flesh, building those relationships...

Among his main challenges as the manager of the Midway Business Center, Caiola first names the issue of access to capital and technical assistance. Ultimately, Caiola wants to make life better for his tenants as individuals rather than graduate a bunch of people from the program, improving their quality of life—he is personally challenged with how to do this and meet the needs of the low-moderate income communities. One of the drawbacks to partnering with so many organizations to provide services to incubator tenants is that of the tenants' access to equal quality of services from the varied volunteer base. Finally, the incubator manager needs to be skillful at tying people on the inside of the incubator to the community that sits outside of the incubator walls.

Best Practices

Caiola denotes several items that he would consider his incubator's best practices. First, the nice, new and professional building is a major asset. Throughout the interview, Caiola continues to promote that the facility itself as well as its location in downtown Chapel Hill is the strongest and best component of his program. Second having a conference room available is a great benefit to the incubator staff, its tenants, and its associate members who do not have residence in the incubator, but have access to the incubator services and resources. Third, Caiola considers the incubator to be a place where a business can have a physical address other than the home address of the owner. Next, Caiola feels that the support that the Midway Business Center offers to entrepreneurs so that they do not feel alone and where everyone is the same is a best practice of the incubator. Finally, he lists the incubator environment where entrepreneurs can utilize one another's service as resources as well as utilizing Caiola himself as a sounding board for business ideas as a best practice of the incubator.

Advice from the Experts

Caiola has learned from the experiences that he has undergone as an incubator manager, and he offers the following advice to those who might consider launching similar incubator enterprises. First, he would advise developing a larger incubator with a minimum of 15,000 square feet of office space. Second, he offers that an empowerment incubator should have light industrial tenants among mixed-

use incubator clients so that these enterprises will be able to employ those in the community with trade skills. Next, he says that incubator developers should utilize the support of universities to provide services or with the surrounding town or city to fund positions within the incubator. Finally, Caiola offers the advice that there should be extensive partnership building between the incubator and the community.

According to this incubator expert, in order to be a great incubator manager, one must be a great salesman. Additionally, he/she has to make community contacts, be able to liaison and to build partnerships. The manager must be able to sell the incubator to the community, because other partners are doing many jobs for the incubator.

Vision

In response to my interview question concerning where Caiola saw his organization 10 years from the current time, he explained that his vision was to have an additional incubator building within the community to house graduates of the incubator program. An additional service that he would like to see the incubator provide in the future is primary entrepreneurial training for consistency and continuity in content and quality of information presented to the business owner. This will also be beneficial because the training will be catered to the population that it is directly serving. Concerning his financial goals for the incubator, Caiola would like to see a loan pool, available to administer loans from \$50 to \$25,000.

As for future expansion of the incubator in the immediate area, Caiola describes the surrounding land in downtown Chapel Hill as “ridiculously expensive” due to recent gentrification efforts to improve the distressed area. He clarifies,

Real estate is so ridiculously expensive in downtown Chapel Hill. There is a building for sale...basically I think its about 8 or 9,000 square feet on an old street front office building—it’s a one story building or a two story building—and it’s for sale for a million dollars. That’s for about 8,000 or 9,000 square feet...But land’s just so expensive, so as far as a good incubation model, unless you’ve got like really, really nice subsidies, obviously it isn’t realistic if you want to get in downtown Chapel Hill...

Appendix 5. Data from ShoreBank Enterprise Group

ShoreBank Enterprise Group

540 East 105th Street

Cleveland, OH 44108

(216) 681-8990

www.shorebankcleveland.com

Researcher Notes

I visited the ShoreBank Enterprise Center on a cold and breezy Cleveland day upon which the bright sun, despite all its efforts, could not melt the huge snow banks that lined the streets and sidewalks. The ShoreBank Enterprise Center is impressive enough on the outside, for in the heart of a community surrounded by poverty, its large brick building promotes the organization as a corporate office building that is not afraid to plant itself right in the heart of such a desolate-looking place. The entryway, too, is impressive, with lots of glass and a clean, professional-looking waiting room environment with two reception-style chairs and a small table with information about the Center. There are all types of people going in and out of the building, from minority youth to middle age minority and non-minority men and women, casually dressed, to white corporate execs in full business suits. I later learn that the diversity in population that I am witnessing is a result of the diverse

operations that have their existence in the ShoreBank Enterprise Center. There is a very large, well-known non-profit program that caters to inner-city, minority youth that occupies the entire fourth floor of the massive facility; there is a diverse representation of small business owners whose businesses occupy space in the Center; and the operations of ShoreBank financial institution and each of its affiliate groups house their offices in the Center as well. During my carefully guided tour of the building, the overall atmosphere of the ShoreBank Enterprise Center is that of a large, not-quite-completely refurbished facility that houses a plethora of different enterprises that are as diverse as the people that casually roam the building. My interview is with Laura Kleinman, Incubator Manager in her office right past the card-key protected entry out of the foyer and into the business spaces. Throughout our interview, we are interrupted by a number of different individuals who have “critical” matters to discuss with her at that moment, thus we take several breaks throughout the course of the interview. Kleinman is honest and candidly frank about what her organization would like to be and how it measures up to these aspirations in its day-to-day operations.

About the Sponsoring Organization

ShoreBank began its operations in the 1970s in the south side of Chicago by lending money for housing. This evolved into a model of community development banking, and the organization soon added on a non-profit affiliate to provide funds

for the revitalization of communities. Today, three branches exist to the organization in Cleveland: banking, non-profit and real estate.

Each of ShoreBank's core business activities points towards the creation of wealth and the building of communities. These activities include small business finance, real estate finance, workforce development, entrepreneurial services, and enterprise centers.

ShoreBank is committed to making sound investments in good people willing to put their own resources and energies to work in building communities. The organization promotes a domino effect philosophy in community development: "ShoreBank has learned that building long-term relationships with highly motivated local entrepreneurs and community organizations that exist to drive development, is essential for enduring market change. Ultimately, many small successful investments, added together, create communities in which others are willing to invest."

About the Incubator Program

ShoreBank moved to Cleveland in 1994 to impact the disinvested empowerment zones of the city through investment in the community and in small business development. With over 50 companies and organizations and employing 200 people, ShoreBank's Enterprise Centers at Glenville and Collinwood have become economic centers in their respective neighborhoods.

According to the organization's literature, the presence of ShoreBank's business incubators "fulfill two important community needs; two previously unoccupied buildings were brought back online and over 235,000 square feet of office, studio, and manufacturing space was created to restore the economic momentum that had diminished in recent years."

Many of the tenants in the incubator come from the surrounding community, especially those that engage in service enterprises. The artists who occupy space in the incubator come from farther away to participate in the program. About 20% of all of ShoreBank's tenants are minority or women.

ShoreBank hosts monthly lunchtime seminars for the incubator tenants and the community alike. These seminars are presented by volunteers from the community who address a specific business-related topic that will benefit the independent small business owner. Lunch is provided by the incubator (ex: pizza, etc.), and the attendance mix consists approximately of half tenants, half non-tenants.

The incubator also produces a newsletter, which Kleinman oversees, that keeps all incubator tenants up to date and informed about what their fellow tenants are doing, new products and services offered by the incubator, and business tips catered towards small business growth and development.

About the Incubator Leadership

Laura Kleinman has been working at the ShoreBank Enterprise Center for the past 4 years. Prior to coming aboard at the ShoreBank Enterprise Center, she

received an undergraduate degree in urban planning studies and worked for various CDCs and local development corporations. During these tenures, she picked up valuable experience in working with the community as well as at manufacturing company doing marketing materials. Kleinman had served as an intern here while she was in business school, and when this was over, Kleinman came to ShoreBank in 1999 as a loan officer and business development manager, though she had no previous experience in loan finance. She worked in this position for two years until she was offered the opportunity to work with the Center's art cluster of entrepreneurs. Once this art cluster closed, Kleinman went back to the loan program. In May 2002, ShoreBank Enterprise Center experienced personnel changes, and Kleinman did as well. She moved into the position as the manager for the ShoreBank Enterprise Center and has been serving in this capacity ever since. Kleinman expresses that most of her time is spent marketing and leasing the facility space and managing the property management company by running interference between the company and her incubator clients.

There are only two individuals with the ShoreBank Enterprise Center that are dedicated, full-time workers for the program, and these are the incubator manager and the receptionist. Also involved with the program is an intern, the Group president, a CFO, a workforce program coordinator, and a fundraiser who each dedicate about $\frac{1}{4}$ of their time to the ShoreBank Enterprise Center.

Mission and Goals of the Incubator Organization

According to ShoreBank, the organization's goal is straightforwardly focused on "revitalizing and strengthening the diverse urban communities that make up our city by investing in the people who live and work in our neighborhoods. Our goal is simple—to make a profound, positive impact in Cleveland's neighborhoods."

Further, the welcome page of the ShoreBank's website makes its mission equally clear and concise: "Our mission is to ensure that all Clevelanders benefit from our city's growing prosperity by increasing economic opportunities in traditionally underserved urban communities."

Focus of the Incubator Organization

The incubator serves a variety of industry sectors between its two facilities, from service to carpentry to manufacturing. Non-profit organizations are granted entry into the incubators if they are able to pay the required rents for space and if they fit the organization's mission. One such organization sponsored by the City of Cleveland, Yo!Cleveland, is a youth organization that occupies the entire fourth floor of the ShoreBank Enterprise Center in Glenville. This is an organization that caters to inner-city youth, providing tutoring, skills training, mentoring, and a variety of activities and programs designed to keep children off of the streets of the surrounding inner-city neighborhood.

Technical Assistance

On the premises, Laura Kleinman, incubator manager, is the sole source of technical assistance for the ShoreBank Enterprise Center. Assistance is rendered on a walk-in basis and is “very informal” according to Kleinman. She estimates that she spend about 35-40% of her time on “general business development assistance.” (Another 20-25% of her time is spent on leasing, and the balance of this time is spent on property management or general tenant management issues.) There is no technical assistance offered at the other location in Collinwood.

The Shorebank Enterprise Group collaborated with other community entities including the City of Cleveland, Cuyahoga Community College, the Small Business Development Center, and American Express Tax & Business Services, to pursue a S.E.E.D. program grant that would provide intensive, fast-paced business counseling services and classroom instruction for existing and start-up Empowerment Zone businesses. The Start-Up and Existing Entrepreneur Development (S.E.E.D.) program offers a variety of special courses both at the incubator and other locations, addressing topics such as how to develop a business plan, how to market a company, quality control, and operations improvement. Participants may also enroll in courses offered through Cuyahoga Community College’s Professional Development Institute. Additionally, further assistance from a wide variety of experts is available, as are counseling services for small businesses. In order to participate in the program, business owners must either reside within the geographic boundaries of

Cleveland's Empowerment Zone (EZ) and have an existing business inside or outside of the EZ, plan to start a new business inside or outside of the EZ, or reside outside of the geographic boundaries of Cleveland's EZ and have an existing business in the EZ or have documentation that indicates the participant will start a business in the EZ. When asked which of the technical assistance services are in highest demand, Kleinman explains that "marketing consistently hits at the top" of the list of requests from tenants who are seeking business assistance.

Incubator Facility

In total, there are 40 entrepreneurial entities residing within ShoreBank's incubators, approximately 8 of these with non-profit status. The ShoreBank Enterprise Center in Glenville measures 200,000 square feet. About 139,000 of these are rented out as leasable space. Occupying space within this building are also the ShoreBank financial institution as well as each of the administrative offices that serve each branch of the ShoreBank organization. The building has ample parking (180 spaces) as well as five shipping docks for shipping and receiving goods for client businesses. There is a beauty salon, a snack store, nonprofit organizations, and a variety of other businesses, including artists, a cabinetmaker, and a business that sales and markets products crafted at monasteries from around the nation. A large portion of the space is unfinished, as additional funds are needed to finish these spaces out. Rents vary according to the location of the space and according to whether the space is air conditioned or not, and space sizes vary in the four story

building from approximately 400 sq. ft. to 7,000 sq. ft. For example, the first floor is considered “raw space,” because the ceilings are a lot lower here and there is no air conditioning.

One of the most successful businesses in the building is Monastery Greetings, a company that markets and distributes products exclusively made by monks. Products include jams, jellies, music, and other food products.

The ShoreBank Enterprise Center at which I collected data, the Glenville location, is located in Cleveland, Ohio’s Empowerment Zone. Location in this designated zone allow tenants to receive technical assistance through the SEED program free of charge, as long as they live in, currently do business in, or are planning to start a business in the Empowerment Zone.

Once the building was acquired at a discount from a local neighborhood group, Neighborhood Inc., approximately \$5 million were invested in the ShoreBank Enterprise Center to bring it to where it is today. For these efforts, the ShoreBank Group solicited federal and local governments (for which they have a lot of debt), including grants and loans from the Economic Development Administration, Health and Human Services, the City of Cleveland, and the Environmental Protection Agency. The Group also used debt to finance the renovation of the building. There was also ShoreBank (Bank) money utilized as well.

When Kleinman came aboard as the manager of the ShoreBank Enterprise Center, one of her first moves was to bid out the property management of the Center to a private company, Colliers International:

We decided to bid out our property management. And we decided that property management really wasn't the business we wanted to be in. Yes we wanted to be in the business development business, but we didn't want to be spending sort of our own staff time fixing toilets and light bulbs and what not. So we bid out to Colliers International, which is a large property and real estate management firm. The property management as well as the building and collections. And all the vendor management... all of that. So really the only thing Colliers doesn't do is the marketing and the leasing of the facility.

Kleinman still handles these responsibilities herself, and she manages Colliers as well. "Essentially they were hired so we had more time to do what we were wanting to do and that was helping businesses to grow."

At the Collinwood location, there are 60,000 square feet available, all leased out for small business tenants. The ShoreBank Enterprise Center in Collinwood consists of 6 businesses. One of these businesses is an "anchor business" that specializes in manufacturing. Kleinman describes that this building as not as attractive as the one she occupies in Glenville—it still needs a lot of work. The facility in Collinwood also has no receptionist, and if the tenants desire technical

assistance or any access to business machines or services, they must come to the main location in Glenville.

Admission to the Incubator Program

There are no real admission criteria for entering the ShoreBank Enterprise Center. If a potential tenant is able to pay the necessary rent and the incubator manager believes that he/she is of an acceptable character, the business is allowed to have residency in the incubator—as much as the owner desires, as long as the rent can be paid in a timely manner. The rents at the ShoreBank Enterprise Center are competitive, though they are not below-market rents. The rent collected from the incubator tenants cover the operating costs, but they are not sufficient enough to cover staff salaries.

There is no formal social contract (i.e., locating business in community upon graduation) that incubator tenants are asked to sign as a condition of entry into the incubator, but incubator manager Kleinman explains that she does talk about such matters to the business owners informally.

Incubator Residence Requirements

While in the incubator, there are no real requirements other than the timely payment of rents (require first month's rent up front plus one additional month's rent and a security deposit). Tenants are also asked to carry a \$1 million insurance policy for their businesses. There is a clause at the end of the tenants' leases that asks them to report their employment numbers on an annual basis, but this is for reporting

purposes for the incubator program. Business owners are not required to show financials at any time during the program. Though recommended for many, the incubator clients are not required to participate in the technical assistance or entrepreneurial training programs offered by ShoreBank. Further, there is no mandatory gathering or reporting of business progress that the businesses are required to do in order to remain in the ShoreBank Enterprise Center program.

Graduation Criteria

The ShoreBank Enterprise Center is a different type of business incubator in that there is no expectation for the tenants to leave the incubator facility at any time. In essence, its clients see the ShoreBank Enterprise Center as a landlord, for there are no other stipulations in the 2-3 year lease for incubator space that is offered than the business space itself.

Incubator manager Kleinman estimates that approximately 5 or 6 businesses have left the incubator or “graduated.” One of the incubator’s more successful graduates is a transportation company that spent two years in the ShoreBank Enterprise Center. The program also provided financing and a line of credit for the company to purchase vans. Today, the business is still in operation, although outside of Cleveland.

Available Services and Resources

ShoreBank Enterprise Group literature summarizes that the program “offers a variety of innovative services to entrepreneurs and small businesses to maximize

market forces and have a positive impact on community development. Two of [ShoreBank's] most important services are comprehensive business support and labor force development." The organization goes on to offer more detail regarding the products and services that they offer: "ShoreBank Enterprise Group provides a wide array of important entrepreneurial services. Our business development managers work with portfolios of companies to provide critical business support services. These include marketing and sales, business planning, brokering other resources for companies, financial analysis and packaging, accounting and advisory services, and management advice/coaching."

Shorebank Enterprise Group and its affiliate ShoreBridge Capital offer higher risk financing for start-ups and existing businesses that do not fit within the risk guidelines of traditional lending institutions but are still worthy business opportunities. The ShoreGrowth program offers creative debt financing to young or start-up businesses with a focus on manufacturing, construction, and health and medical industries. In order to be eligible, the small business must be located in the Cleveland area and a strong potential to create jobs. There is a minimum investment of \$500,000 and a minimum investment of \$50,000. The minimum required for applying for a ShoreBridge Capital or ShoreGrowth loan includes a business plan, a completed business history questionnaire, personal financial statements on principals, resumes on management, three-year financial statements, cash flow

forecasts for a minimum of two years, and information on the amount, type and purpose of the investment.

The ShoreBank Enterprise Center offers workshops once monthly. Attendance can range from 5 to 15 or 20. People from the outside are brought into the incubator, and the incubator organization does not pay for these services. Speakers are located based on networks. A recent survey that was administered to the tenants helps incubator staff decide which topics to address during these workshop sessions. Regarding mentors, Kleinman comments that they have talked about this, but they have not done this yet at the incubator.

As for entrepreneurial training, Kleinman explains that the workshops are ...all we've done right now, but through the SEED Program, this is how we offer classes, and that would be available to tenants, but you really need to be enrolled in the program to take advantage of that... There are 5 tenants right now who are actually enrolled in the SEED Program. It's a process. I mean, it's not a bad process, but I know that there are other tenants who have been approached by either me or the program manager... and its just... they haven't quite made the connection to get into the program.

The Workforce Solutions program at ShoreBank Enterprise Group links employers with workers they need to grow their businesses and create wealth in their neighborhoods. This service is beneficial to small businesses because most of these businesses are small, lacking the resources necessary to effectively recruit, screen

and find qualified employees from the local community. Workforce Solutions also works closely with neighborhood employers to assist them in worker assessment and training. The program offers specialized services in the areas of recruiting, retention, human resources support, employee support services, tax credit/hiring incentives, and seminars.

Shorebank offers advertising/display opportunities for tenants that desire to showcase their products and services for a two-month period. Display privileges are offered on a first-come, first-served basis, and clients may sign up for a display in the main reception area with the incubator manager. This is a great opportunity for the incubator as well as its tenants to show the visitors and members of the community the types of products and services that can be provided by Cleveland area small businesses.

In addition to a shared receptionist, there are also copier and fax services available to tenants for a fee, as well as a conference room that can be utilized by clients by reservation only.

Challenges

Among her greatest challenges in working with the ShoreBank Enterprise Center, Kleinman first lists figuring out how to identify those businesses in the building that truly want to get help and who are willing to pay for help so that they can grow and expand their enterprises. To identify these, Kleinman says,

It's over many weeks and many months, running into people, going to talk to

them about whatever. I mean usually, I see them because there's a need, or I see them because we're having a seminar and I'm passing out a flyer, or I see them in the hall. And so you strike up conversation and, you know everyone's got different personalities, and different times, and sometimes you click and sometimes you don't, and some people are very forthcoming and some people aren't. It's not the type of thing where just after a couple of weeks you sit down and say, 'Okay, let me see your financial statements, and let's talk.' I mean you could, but I don't think you'd get a very good response.

Next, she lists as a challenge the dilemma of how to lease up the facility. Because one of her tasks is to fill the center so that it can sustain itself through rents, prospective tenants are rarely turned away. Kleinman explains, "It's rare that we turn people away. I think the only people we sort of turn away are more not-for-profit organizations..."

Finally, Kleinman's challenges include trying to juggle her heavy workload. Though she works typical business hours from 8:30AM to 5:30 or 6PM, there is never enough time in the day to handle all that is assigned to her as the coordinator of the Center. Kleinman does have a paid intern who has been with her since the summer, a business school student that comes in to work with her 2 days a week, and she says that this has been helpful.

Fundraising is not a challenge with which Kleinman is faced, for the ShoreBank employs a dedicated fundraiser on its staff. This individual's sole, full-time responsibility is to generate operating public and private funding to support each of the different branches of ShoreBank.

Best Practices

Among ShoreBank's best practices, according to Kleinman, is the leasing out of the property management of the facility to an outside company, Colliers International. In doing this, the incubator manager is relieved of a substantial load of responsibility from such a time-consuming task. She notes that this could be a best practice for others if they find an effective way to do it. Another best practice for this Enterprise Center is that it offers a Workforce Solutions Program, which helps the incubator tenants to identify skilled or semi-skilled labor that resides in the surrounding neighborhood free of charge. Additionally, the Program works with companies that are financed by ShoreBank in the Cleveland area to provide the same service, thus resulting in expanded work opportunities for those in the distressed community in which ShoreBank Enterprise Center resides. To coordinate these efforts, ShoreBank has a dedicated staff person whose sole responsibility is to facilitate these job partnerships in the community. Another best practice of Kleinman's, though not unique to this organization, is the fact that because ShoreBank has its own money, it takes no equity in its tenant companies.

Overwhelmingly, however, most of the incubator's tenants find their own funding or engage in self-financing through savings or debt. Since Kleinman's occupying of the position as incubator manager, the organization has funded 3 or 4 companies. Most companies that desire funding do not qualify, as the money that is available through ShoreBank is not "last resort money"—the two ShoreBank loan funds are "expensive money", as they are looking for equity, and they are seeking out certain types of companies to finance (health and medical companies, contractors, etc.). Part of the reason for these focuses is that larger industries that may want to invest in small businesses often desire to make their investment towards a particular industry cluster. Thus, if companies do not fall into one of these particular clusters, or if they are unqualified to meet the terms of the financing, the funding is not available for their enterprises. In these situations, Kleinman refers business owners to microloan programs that are available in the city that require little equity or no collateral. The organization does not actively seek private funding from the community because it is affiliated with a bank.

Kleinman believes that the strongest component of the ShoreBank Enterprise Center's program she states,

What makes our incubator unique there is tremendous interaction among the tenants here, and there's value in that. They buy business services from one another, they share tips with one another, friendships have developed, and so

no, that doesn't have everything to do with growing businesses. Well, it does. It does. A little more in a touchy feely kind of way.

Advice from the Experts

When Kleinman hired her intern, she wanted to identify someone who was bright and had a relevant academic background. Even above these qualities were others that were more important, she expresses, for this particular line of work. Kleinman was searching for someone who had the qualities of being affable, easy to get along with, and a good networker. In many ways, working in this industry is about finding people who can help you out and do your job—to assist the organization in its goals and mission and to help them to provide the services that they offer, often through their own donated products or services, such as technical assistance. Other qualities that are important for someone in this position are that the individual likes to be in the community, likes to be in meetings, is great at meeting other people, isn't afraid to go to people and ask them to do things, extroverted, confident, wise, smart, have an eye for quality, and someone who can relate to all of the different kinds of people with whom he or she interacts. Finally, because there are so many time-critical decisions to be made on a daily basis, the ability to make decisions quickly is an important character trait to possess.

Vision

Ten years from the present, Kleinman envisions the ShoreBank Enterprise Center expanding to secure a third business center that is industry-focused. She

believes that perhaps the focus will be on contractors and suppliers to contractors. Her organization has provided some training for this industry-specific group, and Kleinman feels that this is a sector that would benefit widely from a centralized location and shared resources and that could directly impact the community through wealth and job creation. Kleinman also envisions the implementation of a more strategic approach to how ShoreBank Enterprise Center leases out its facility space and a more selective set of criterion for which tenants the organization allows to take up residence in the incubator. In sum, she envisions a more traditional business development model of business incubation but adds as a disclaimer “this is easier said than done!”

Appendix 6. Data from Oregon Association of Minority Entrepreneurs

Oregon Association of Minority Entrepreneurs Business Incubator

4134 N. Vancouver Avenue

Portland, OR 97217

(503) 249-7744

www.oame.org

Researcher Notes

As I enter the pink and white building on a very cold yet sunny Portland afternoon, I step into a long foyer that is bursting with color. Along the top of the walls on either side of me, flags are displayed, their poles projecting them into the air overhead with representations of every nationality and ethnicity. In the foyer, the walls are colorful as well, displaying nicely framed posters from the organization's annual conferences of a number of years. There is a community information table overflowing with information and services available to members of the incubator and the community, and most importantly, there is Samuel Brooks, incubator founder and president. At his side is the Director of the OAME business incubator, Jorge Guerra. After brief introductions, Brooks and Guerra immediately begin to acquaint me with the incubator facility, its tenants, and all that the organization has to offer.

During my interview with Samuel Brooks, he invites me to a program that will be occurring the following morning at 7 AM. The event is entitled, “Coffee and Issues,” and this one-hour forum is held on the last Friday of the month, which happens to be the following day. I attend the forum, curious about how much support such a program would receive so early in the day from the small business community. To my surprise, the room was almost filled when I entered. Present were members and supporters of OAME, and by the end of the forum, there was standing room only. After a few welcomes and brief announcements by Samuel Brooks (please pre-apply for space in the new building, annual conference registration is underway), each individual was to stand and introduce him/herself, business owned, and a description of the business. I was impressed with the wide representation of the types of businesses and nonprofit organizations that were developed. I was equally impressed with the wide variety of ethnicities and races represented in the room, because there was no group that outnumbered any other in attendance. There hundreds of individuals—Hispanics, African Americans, Asians, Caucasians, Indians—and everyone had come together for through OAME and gathered at the forum to maintain communications between ethnic and minority-owned businesses in Oregon and the general business community. As people stood to introduce themselves, many also told the group what they were able to offer to OAME members. For example, one car dealer had actually brought one of his vehicles to show in the parking lot and was willing to offer it and several others like

it to OAME members for a tremendous discount. Bankers announced super-low APR's for business and personal loans, some announced investment opportunities exclusively for members of the group, other business owners offered to do free demonstrations of their services for members, and some announced job openings that they first wanted to publicize among OAME members while others made appeals for jobs needed. It was an ultimate networking opportunity. After the introductions, a 15-minute keynote speech from a guest speaker (Jim Francisconi, City of Portland Commissioner), and a few raffle giveaways, the group was dismissed and the buzz began. Business owners made beelines to other entrepreneurs that caught their interest during the introductions, and many went to take members of the group up on their offers for freebies, demonstrations, or discounts. I observed this activity for some time before I said my goodbyes to the incubator staff, made a few select purchases at the Youth Store, and headed on my way back home.

About the Sponsoring Organization

Samuel Brooks founded the Oregon Association of Minority Entrepreneurs. He wanted to unite groups to work together, because he found that minority businesses in the area were not working together as a community. In 1987, OAME started with 8 members, and today, the membership is over 600 African American, Asian, Native American, Hispanic American and European American members.

Brooks began OAME's Incubator without Walls program in 1987, and an actual incubator facility did not manifest until 1993. His intention was to create such

a program to assist distressed communities in the north and northeastern regions of Portland. OAME is a non-profit, tax-exempt organization formed to promote and develop minority entrepreneurship and economic development in the State of Oregon. OAME works in partnership with ethnic minority-owned businesses, entrepreneurs, other non-profit organizations, educational institutions, federal, state, and local governments and established corporate businesses to create mutual relationships and a business atmosphere in which all Oregonians can profit. Though the organization caters to minorities, it is open to each and every ethnic group. As one can deduce from its colorful logo, the organization serves not only African Americans and Hispanics but Asians, American Indians, and European Americans. OAME holds a statewide conference annually in which a different ethnic group is spotlighted. The keynote speaker for each conference will be a member of the ethnic group that is spotlighted at the conference. To enhance the community's knowledge of OAME and minority businesses, the organization publishes a popular Annual Minority Business Directory.

About the Incubator Program

OAME's program started as an incubator without walls in 1987, and the program has been in 3 or 4 different locations as they have grown. The first year they had tenants was when they opened their current building in 1993. Brooks also ran the precursor of the current incubator program when it was housed in the local community college.

Since its presence in the community, OAME has witnessed very visible changes in its surrounding neighborhood. When they moved into the facility, the community was an unsafe place to live. Brooks comments that every neighbor to whom he has spoken has said that having OAME present in the community has increased their property value, and OAME's presence has brought to the neighborhood a higher political profile as well.

When we moved into this neighborhood, it was unsafe to say the least. Every neighbor has said that having us here has not only increased the value of their property, but has because our relationship with the mayor and city council we have very high profile... the police department uses our lot so that this is just a very calm area.

OAME has actively engaged in community restoration programs such as allowing its grounds to be used as a collection site when the police department conducts gun collection programs, as a centralized meeting point for community cleanups, and for the community's Youth Walk for Health.

OAME considers participation in the community to be a significant part of what they do:

There is a group that I introduced you to at the South end called the North/Northeast Alliance, it's a group that I chaired for ten years... that has a series of subcommittees that include education, family services, housing, education, business growth and development, employment, environment, and

safety. All of those subcommittees is how we go about making things happen in the community.

In addition to its location in Portland's Albina community, OAME also has a second incubator location, OAME Rockwood which is located in Gresham, Oregon. OAME lists the staff members scheduled to be at this newest location on a daily basis to provide technical assistance in specifically designated areas.

OAME currently has 30 businesses occupying space in the incubator.

About the Incubator Leadership

Samuel Brooks is the Founder, President, and Chairman of the Board for the Oregon Association of Minority Entrepreneurs (OAME). Brooks also serves as the Founding Chair of the Albina Community Plan, an organization dedicated to the protection and development of the community of Albina in which the incubator resides. This program addresses such issues in the immediate community as education, housing, employment, safety, and environment among other critical issues. Brooks himself works 12 to 18 hour days in order to maximize every available moment of day, rising at 4:30 AM and not settling in for rest until about 10:30 PM every night.

Brooks is a legend in the business incubation industry. He is one of only two or three individuals who has attended every NBIA incubator conference since 1986, and he has served in the last number of years over 140 business development and incubation boards and commissions nationwide.

Brooks started in incubation in 1981 with a government grant to design and build an incubator—one of the first in the country. The initial business incubator that Brooks launched in 1981 was modeled after several meetings with the community, in which he assessed what did the community needed, and who it was that needed to be served in the community.

Mission and Goals of the Incubator Organization

Brooks has labeled the OAME incubator as a “community incubator.” OAME describes its mission as being able to “Promote and develop entrepreneurship and economic development for ethnic minorities in the State of Oregon and work to reduce discrimination and racism.”

The motto of the organization is, “If you’re in business and you are not making a profit, you are going out of business.” Whether it be quickly or slowly, going out of business is inevitable. OAME’s goal is to help small businesses make a profit so that they can stay in business.

Focus of the Incubator Organization

In addition to offering business space for professional services, technology developers, and product suppliers, OAME also offers space for light manufacturing and food preparation with its commercial kitchen. Thus, the incubator would be classified as a mixed-use incubator.

Another focus of the OAME program is its Youth Entrepreneurship Program (YEP). OAME hosts a youth entrepreneurship training program in which youth from

the surrounding community are taught the basics of entrepreneurship, not only through classroom experience, but by hands-on experience in the incubator's Youth Store. The Youth Store is open daily and run by the youth themselves with oversight from the Youth Program Coordinator. Inside of the store, which can be accessed from the outside pedestrian walkway or from within the incubator, there is a variety of different products available for purchase. The main attraction of the store is the wide variety of Nike shoes and athletic apparel that is on sale for greatly reduced prices. These products are donated by Nike (Nike is also a member of OAME's Advisory Board) on a quarterly basis to the Youth Store, and all proceeds go directly to benefit the OAME Youth Program. Also for sale in the store are products designed and produced by OAME incubator tenants and organization members. This gives the program an opportunity to display some of the quality products that are being produced by minorities in the area. Hostess is also a sponsor of the OAME Youth Store, donating baked goods for the youth to sell in the store's snack section along with a stocked ice cream freezer and commercial cold drink cooler.

OAME hosts an annual one week "Boot Camp" for the Youth Entrepreneurship Program for a minimal cost of \$50 and often seeks members of OAME to sponsor at least one child for this entrepreneurial learning experience. The Boot Camp is one day of intensive training in business and entrepreneurship complete with speakers, business discussions, games, contests, prizes and more. The purpose of the Boot Camp is for youth to gain tools to succeed in business and

entrepreneurship, to connect with other aspiring youth entrepreneurs and to network with business leaders.

Technical Assistance

OAME incubator staff members provide technical assistance as well as do volunteers from private industry and government on finance, sales, budgeting, marketing procurement, and a wide variety of other topics. The organization has also established as a part of its technical assistance service a Membership Program in an effort to assist minority business growth, development and support. The program creates a relationship between a low-income, minority business and the experience and knowledge of a mentor.

Brooks gives an account of one his most successful mentoring stories:

We have the only approved mentorship program by legislation in the state of Oregon through the Oregon legislature... For instance, we have a company called Ida (?) Landscaping... and McDonald's Corporation sits on our Advisory Board as well. We asked them if they would be willing to mentor...and they said they'd like to mentor a company, but they did not want to mentor a food company. So we came up with Ida (?) Landscaping. They brought all their lawyers, marketing people, accountants together, put them around the table like this and brought Rudy in. He had about 6 employees, and they said, 'Okay, so tell us about your business.' And he began to tell them about his company and they said, 'Rudy, you're in bad

shape.’ They started working with him. Today...Rudy is a member of our Board of Directors, he’s got 48 employees, and he does all the landscape design work for McDonald’s in this area... and those are the kinds of things that happen here.

Incubator Facility

The OAME facility, measuring 40,000 square feet, is host to a number of different for-profit and non-profit organizations. The types of business represented vary, from light manufacturing, food preparation, professional services, and product developers to technology enterprises and non-profit ventures. Also on-site in the incubator is a restaurant/coffee shop, Ma and Pa Strong’s BBQ, that is available to offer catering for events and tenants.

The OAME incubator utilizes several of its spaces as revenue streams. These include the OAME Conference Room, a space able to accommodate 270 people theatre style or 250 people classroom style that can be utilized for meetings, trade shows and receptions. For smaller gatherings, there are also the Amelia Lanier Executive Conference Room, a formal boardroom that can accommodate 35-40 people and the South Conference Room that seats 12 people board room-style.

Admission to the Incubator Program

Interested applicants should fill out a Request for Services as the initial step to becoming an incubator client. After this, the prospective client meets with a Board to determine whether or not the entrepreneur is a good fit for the incubator.

Upon admission to the incubator, OAME conducts a business analysis evaluation and an action plan in order to evaluate whether good management practices are implemented or practices, to find out where the business is and what actions should be taken to improve the business. Throughout the course of its residency in the incubator, the business will be expected to progress according to the goals and recommendations of the incubator staff as determined by this business analysis evaluation.

Graduation Criteria

About 15 businesses have graduated out of OAME's business incubator.

Available Services and Resources

According to OAME's literature, the services that are offered to businesses are wide in scope and tailored to the individual businesses' needs, and all services are available to businesses and community organizations. Some of these resources include:

- Competitive rents
- Three conference rooms
- Secretarial and administrative services

Typing

Desktop publishing

Fax

Graphics

Copying

Mailing

Postage machines

- On-site courtesy phones
- Computer lab
- Computer services with Internet access
- State of the art audio visual equipment
- Ample free parking
- Clearinghouse / Capability and Opportunity Matching
- Technical assistance staff and volunteers
- Resource library
- Annual statewide conference
- Youth entrepreneurship program
- Monthly and quarterly entrepreneurship networking and business newsletter

OAME has partnered with two business development and entrepreneurial education providers, Portland Community College and Portland State University. Incubator tenants may take classes with Portland Community College and receive full-time equivalency for the classes that they take from the school. Portland State University (who also holds space as an incubator tenant) offers technical assistance and consulting on-site.

OAME operates the Oregon Association of Minority Entrepreneurs Credit Corporation (OAMECC) to provide minority businesses with direct financing, finds sources for financing through loans or investments, and assists with application and loan documents. The organization boasts the largest access to capital program in the Pacific Northwest with a loan fund of \$500,000 and has just been approved for an additional \$3 million plus 15% in matching funds. In order to be eligible for these funds, businesses must be located within designated Oregon counties, be a for-profit enterprise, be ineligible for traditional bank financing, and the business must be consistent with promoting the best interest and goodwill of the greater community. Credit requirements are minimal. In addition to paying a \$25 non-refundable credit-reporting fee, the applicant must have a satisfactory credit report (no recent bankruptcy in the past 2 years, no tax liens, nor delinquent loans or judgments). According to the director, loan fund requirements,

...may be as stringent but more flexible because we understand the value of character, relationship... all the other things that people do for people that they don't often do for people of color, but we do require you to be responsible. What I mean by 'being responsible' is that you have to provide collateral. If you believe in it, then you'll put up something.... We will work with people and give them an opportunity whereas somebody else just might not even look at you—they might just say you don't have any experience... We look at other things you've done that show you have good integrity and you really are not a risk.

The Technology Education Creative (T.E.C.S.) center is a collaboration of technology businesses that have residence in the incubator. In exchange for their space, the T.E.C.S. provides discounted services to OAME members. These services include website design and software development, and the individuals in the center also provide the IT assistance needed for computer users within the incubator. One component of the T.E.C.S. center is the software available to incubator tenants.

The OAME Technology Lab is available for incubator tenants to rent out to train their employees for a minimal fee. The computer lab has 10 Pentium IV computers donated by Intel, and it also features Microsoft Office XP software donated by Microsoft. OAME's computer lab is also available for technology classes that teach, for example, Basic Computer, Word Processing 1 and 2, Beginning PowerPoint, and Excel 1 and 2. Classes are offered both to OAME members for \$5 and to non-members for \$10 per class. The only requirement for participation is that students need to be comfortable using a keyboard and a mouse.

The OAME Resource Library contains publications, pamphlets, magazines, newspapers and periodicals from public and private sectors to assist and inform minority businesses. Additionally, the Resource Library houses procurement opportunities for minority businesses, a Plan Center for construction contractor and Internet access for businesses that do not already have Internet access.

Forums and other networking opportunities are hosted at the OAME facility on a regular basis. These include Coffee and Issues Forums, held to maintain

communications between ethnic and minority owned businesses; Technology Committee meetings which helps OAME to best utilize technology in delivering services and assesses the needs of minority technology companies; Contractors' Committee meetings in which minority construction businesses have a chance to find out current bid opportunities and network with other businesses; and Business After Hours Networking, which gives minority and women small business owners the opportunity to network with purchasers, buyers, lenders, and key contacts from government agencies and private businesses.

OAME conducts comprehensive outreach services targeting DBEs in the State of Oregon. On its website, it lists bidding opportunities that it has present in its OAME Plan Center, including the company to which the bid can be made, the concept of work surrounding the bid, the pre-bid date, and the bid due date. The Clearinghouse consists of a database that identifies minority businesses and their capabilities and identifies business opportunities in the private and public sectors. Benefits of this matching program include centralized access to a qualified pool of small and minority businesses, access to a current and updated pool of small and minority businesses, documented contact and status of capable small and minority businesses, and interactive communication with small and minority businesses.

Challenges

Among his greatest challenges in working with the community that his organization serves, Brooks lists first the generation of sufficient resources to

accomplish the goals and objectives of the organization. Next, he mentions as a challenge finding people with credentials to be on his advisory board and staff in addition to staff dedication and cohesion. Brooks explains that it is important to bring aboard people who have a history with you because they may be on the same page with what you and your organization are trying to accomplish. He reiterates several times throughout the course of the interview and incubator tour that he is grateful for his old friend to work with him as his assistant Executive Director to help small business development in the state of Oregon and surrounding areas. Finally, Brooks notes that building relationships with the community is quite a challenge for him as an incubator director. This includes building the best advisory board possible as well as a board of directors to oversee incubator operations. Inevitably there will be those in the community who are envious about what your organization is doing, and they may even try to undermine your efforts because resources are scarce, and your efforts represent competition for the same limited funds that are needed by their organization. The best way to overcome this challenge is to develop good partnerships with corporations and organizations in the community.

Best Practices

The first aspect of his program that Brooks promotes as one of his incubator's best practices is his youth lab for entrepreneurship. He explains,

We recognize... that whether we like it or not, young people are going to

replace us, and they don't have to do anything to earn it, all they have to do is keep living... so it is in our best interest to make sure that they actually have skills to run things when they are going to run things.

Within the incubator is a store that is run by the youth program of the incubator in which youth are not only taught the basics of entrepreneurship, but they gain hands on experience in learning how to inventory, stock shelves, interact with customers, and other essentials of how to run a business.

Next, he composes an annual agenda, a wish list of sorts that he distributes to the corporate representatives on OAME's advisory board each year. This annual agenda gives those who are currently on the advisory board as well as those who join at various seasons throughout the year a clearly defined explanation of what the incubator would like to accomplish with their involvement. The advisory board members are then asked to choose which of these items their participation will address for the year, whether it is the donation of specified items to the incubator program, the generous donation of corporate funds at higher giving levels, or the mentoring of an incubator tenant, among other options.

Then, Brooks takes great pride in that his incubator has a process that gives people access to technology. This is accomplished through the organization's fully-equipped computer lab as well as the information technology and web development services that are offered to members of the incubator organization. Brooks explains,

We actually have a set of goals that we work on. We don't just think about

what we want to do. [Brooks hands me sheet with goals that have been typed out.] We put out one of these every year. This is our agenda for the year.

This is what we set out doing and, umm, making sure that technology, that *we* are state of the art in technology. For me the use of technology is right at the top of our list... The best practice is to have a process that gives people access to technology.

Fourth, Brooks promotes the effectiveness with which his incubator program teaches its participants how to gain and utilize access to capital as one of OAME's best practices.

The final best practice is OAME's development of a process of how to teach small business owners how to manage and grow their businesses.

According to Brooks, the strongest component of the incubator program by far is the care and attention that OAME provides to its tenants.

The care and attention that we give every one of our members and everyone of our tenants in our facility... It is a handholding process. It's like learning to swim, but knowing that if you falter, there's someone there to save you. That if you are doing what you are supposed to do, through our collective effort and all the folk that are involved, we can get you there.

Providing case-managed support services is key to assisting businesses at OAME. It is a handholding process that sticks closely to the entrepreneur to guide him/her through the growth of the small business through technical assistance,

consulting, and mentoring. In fact, OAME has the only approved mentorship program in the state of Oregon.

One practice that I noted in Brooks' interactions several times is his repeated emphasis on each company having a functioning website representing itself. He often quotes the organizational statistic that 80% of OAME members use the Internet, but only 27% actually have a web presence for their business. As he describes, a website adds legitimacy to the business, especially if the business does not have a brick and mortar storefront. An active website allows people to interact with your business even when you are unavailable to do so. Most importantly, a website works 24 hours a day, 7 days a week, never complains, and never gets tired. For this reason, Brooks pushes OAME members and incubator members alike to have at least a static web front developed as a priority.

Advice from the Experts

Make sure that you have partners in the community by assembling a strong advisory board. According to Samuel Brooks, the most effective way to govern the operations of the incubator is through a "small" board of directors composed of small business owners that is unified and cohesive. Corporate supporters from the community can participate in a leadership role for the incubator by serving on an advisory board, but it is critical to keep the small business owners separate from the corporate representatives. Brooks has been quite effective in persuading many of the top companies and organizations both locally and state-wide to be a part of his

advisory board, including Nike, Portland State University, Oregon Lottery, Portland Trailblazers, McDonalds Corporation, and the Boeing Company, as well as many banks and financial institutions, development commissions, communication firms, and others. Requirements for participation on the advisory board are attendance a meeting once per quarter for one hour and the adoption/participation in of one of the items on the OAME's annual agenda.

Samuel Brooks is Founder, President, and Board Chairman of OAME (Oregon Association of Minority Entrepreneurs). There are skills and traits that he has found to be effective in organizing and growing an entrepreneurial program such as OAME. For someone to operate effectively in a position such as that which Brooks occupies, he recommends that the individual should have heavy networking skills. Brooks recommends an educational background that has some relevance to business or community development. He himself holds two undergraduate business degrees and a graduate degree in urban planning. Additionally, a good business background is very helpful. Brooks has owned his own small business, Brooks Staffing, for the past 20 years. Perhaps most importantly, especially for a founder of an incubator organization, Brooks explains that individuals must be able to win the trust of others. Brooks explains,

Relationship is the biggest thing, because clearly no one's gonna be able to get it all done -- you need tons of people to make this stuff happen... I think the skills you have, your ability to manage, and your integrity... because if

you can trust somebody, you're going to be willing to extend yourself. But these companies are not going to stick their neck out and all their personal capital is on the line and you blow it...

When you have only ideas with no performance, and you are developing a brand new business program, you must be able to move people to trust you in order for them to be willing to invest in your dream program. Other important things to consider are that an incubator developer should have relationships with tons of people, the ability to manage well, and integrity.

Never reinvent the wheel. It is Brooks' and OAME's policy that if something has already been done in the incubator or small business development industry, those ideas should be utilized, and the staff's energies should be poured into programs and services that have yet to be developed. One example of this policy in action occurred during my interview with Brooks, when the Event Coordinator and Facility Manager entered with the results of research that she had recently embarked upon to find a list of rules for commercial kitchen use. The OAME commercial kitchen had just recently opened, and it was to be used the next day by individuals for food preparation. Before their use of the kitchen, OAME desired to communicate some guidelines and regulation for the use of the commercial facility, but these had not been developed as of yet because the kitchen was still essentially brand new. Thus, the incubator staff simply contacted another incubator that they were familiar with that had a commercial kitchen and requested

its comprehensive list of rules, guidelines and regulations, made minor modifications to it, and presented it as its own policy. Such information-sharing techniques are not only time-saving, but resourceful as well. Not only does OAME utilize this technique for a variety of different areas in its own incubator program, but it is more than willing to share any of its resources with incubator developers free of charge.

Brooks' final advice is this:

Make sure that you have the partners. As for the pitfalls to watch out for... the naysayers will be there when you first begin something and you begin to have resources directed your way. They will ask 'why you versus somebody else?' Those will be there, because everybody is fighting for scarce resources... you get past that by having good partnerships.

Vision

Samuel Brooks thinks well beyond the confines of Portland, Oregon when he envisions the direction of his organization in the future. In addition to the new incubator facility that will be built across the street (for which planning is well underway), Brooks seeks OAME expanding what it knows to the global society.

Appendix 7. Data from The West Philadelphia Enterprise Center

The West Philadelphia Enterprise Center

4548 Market Street

Philadelphia, PA 19139

(215) 895-4000

www.theenterprisecenter.com

Researcher Notes

The Enterprise Center sits in the heart of the visibly neglected, impoverished area of West Philadelphia. The Center is housed inside of what was formerly the old American Bandstand building where Dick Clark taped his popular show during the 1950's. The Enterprise Center is well known far beyond the reaches of West Philadelphia. It is a nationally acclaimed and a highly respected business incubation program. In fact, most of the other incubators that I had visited for this research project referred me to The Enterprise Center as a model program to examine. The Center is impressive, quite modern in appearance, and its unique architecture stands out amidst the dilapidated row houses across the street from The Center. The visitor's entrance of the facility leads the visitor into a foyer with a very prominent, well-lit scorecard on the wall that highlights the notable accomplishments of The Enterprise Center. The receptionist is friendly, as she contacts the staff person that

will be taking me on a guided tour of the facility. This highlight of this research was that the incubator president shared for hours with me about how to effectively incubate entrepreneurs, and this was the most vital information that I collected throughout the course of this research study. I must also note that like other incubator managers that deal directly with the distressed, predominantly-minority inner city, The Enterprise Center takes issue with being branded an “empowerment” business incubator, as, per President Della Clark, it does not want to be perceived as a social service agency:

We don’t [offer social service programs], but there’s people in the community who do. We don’t want to be perceived as a social service agency...We are not in any way being a social service and don’t take on those services that would put us in that category.

About the Sponsoring Organization

The Enterprise Center was founded in 1989 by the Wharton Small Business Development Center, and this SBDC still actively supports The Enterprise Center today.

About the Incubator Program

According to The Enterprise Center, the program offers “intensive coaching and training in the core areas of business development: sales and marketing, financial management, human resources, technology deployment and regulatory

compliance.” Since 1999, The Enterprise Center has created 371 new jobs for the Greater Philadelphia area.

The organization was founded in 1989 by the Wharton Small Business Development Center as a vehicle to “stimulate economic growth in West Philadelphia through entrepreneurship.” An MBA student wrote a business plan for an incubator as part of a class project, and the SBDC began to talk about how to make this plan a reality. The organization had Wharton’s support, but not the support of the University. The Enterprise Center opened its doors in 1990, and enjoyed great success with providing quality consultation services for entrepreneurs. The student who originally wrote the business plan helped to spearhead the incubator and stayed around to help the program grow for an extended amount of time. In 1992, Della Clark was offered the position as President of The Entrepreneurial Center. She had been a client of the Wharton Small Business Development Center and they coerced them to consider taking the project on, though she had never heard of incubation before. Today, as a direct result of her great drive and vision, the organization was recognized as Incubator of the Year by the National Business Incubation Association in 1999.

The Enterprise Center is entrepreneurial in and of itself, allowing other communities to benefit from its knowledge and expertise concerning effective business incubation. Through its Cities Beyond program, The Enterprise Center attempts to efficiently and effectively disseminate best practices so that the industry

as a whole becomes more well-known and more productive. Feasibility studies range from \$10k to \$25k and include an assessment of the macroeconomic business environment, organizational audit, prospective clients and competitors, facility needs and assessment, and an estimated budget. Licensing agreements offered through the program range from \$2,500 to \$10k, or the client may pay \$25k for the full package, plus 100 hours of additional consultation. These licensing agreements include business incubator operations manuals, business training modules, youth entrepreneurship program guidebook, overall program manual, and management information system and manual.

One well-known program of The Enterprise Center is its award-winning program to develop youth entrepreneurs ages 12-19, Youth + Entrepreneurship = Success (Y.E.S.). This program exposes thousands of young people to the power of entrepreneurship through training classes, business camps, special events, and hands-on entrepreneurial experiences. Additionally, the program offers the Prudential Young Entrepreneur Program, which is an intensive nine-week business planning class for 18-30 years old, business development workshops that are attended by incubator clients and community members alike, and entrepreneurial training classes to develop and expand start-up and existing businesses. Those who complete each of the offered courses are guaranteed two free one-on-one business consultations. Project THRIVE is a program in which over thirty five firms in five industry sectors

located in the incubator receive key resources and hands-on training necessary to become an industry leader.

Another program for which the incubator has received a large amount of attention, Entrepalooza, is held every October. This is an annual fundraising event that brings together the business and surrounding community for music, networking and community impact. Proceeds go to benefit the program's young entrepreneurs.

In December 2001, The Enterprise Center developed a non-profit organization, "The Enterprise Center Community Development Corporation" which focuses exclusively on investments in the neighborhood's real estate infrastructure (for more information, see Vision).

The organization has also launched an initiative that is designed to foster minority entrepreneurship within the Greater Philadelphia area entitled, "Accelerating Minority Entrepreneurship in Greater Philadelphia" or "AME-Philadelphia."

The program has its share of notable businesses in the incubator. For example, NRoute Communications, winner of several awards including the Third Annual Minority Business Plan Competition for Best Arts and Entertainment Firm, is gaining widespread attention for its business. NRoute Communications offers travelers on passenger trains to enjoy wireless entertainment with state-of-the-art touch screens built into the backs of the passenger seats that allow them free access to movies, e-mail, online shopping and more.

Another big event hosted by The Enterprise Center is the Minority Business Plan Competition, where prizes this year will be awarded to three winners who will receive a \$20,000 non-repayable grant. According to the organization's website, the purpose of this business plan competition is to accelerate the business start-up process of Minority Business Enterprises (MBEs) and to provide tools and support to increase the formation and the success rate of minority owned businesses within Philadelphia, Bucks, Montgomery, Chester, and Delaware Counties.

About the Incubator Leadership

West Philadelphia Enterprise Center's Della Clark, whose reputation precedes her throughout the United States and beyond, became President of The Enterprise Center two years after it opened its doors. An entrepreneur herself for many years, she has inspired the program and its participants with her vision and commitment to the Philadelphia community, and she has taken the program to a level of national recognition. It was under Clark's leadership that The Enterprise Center identified and purchased the former American Bandstand building, raising \$3.5 million to renovate and restore the facility as a symbol of community pride. She believes that the incubator in a depressed area such as hers should be a lighthouse to all in the community. She takes pride in this fact, noting:

We're a lighthouse. In a community like this, they've never had a place that they could look to that spoke to entrepreneurship. In the same way if you look at a church in a community, you could say 'That's the community, that's

the state, the city's, commitment to allow those people in the community to have a spirituality side of their life.' If you look at a school, public, private, colloquial, you could say 'that's the same city, state, regional commitment to education, whether it's a good education or a bad education.' If you look at universities, colleges, education, it's the same commitment because most higher education gets some money from its federal, city or state government. If you look at health systems, good or bad, hospitals or whatever, same thing. If you go through that whole inventory...wherein most communities where you have that same inventory of items, do you have an inventory of entrepreneurship? You have a job center, okay? You have a drug treatment center. But in most communities if you take that inventory list, you will not have a visual symbol of entrepreneurship in the same way they have a visual symbol of those other community services. And so if you have a 16 year old kid or a 25 year old man who wants to learn to fish for himself or herself in their respective communities, they don't have a place that tells them they can come there and get that kind of help. So I don't look incubators as something unique or special. I look at it as a must for every community. Because just like a church is a must, a school is a must, a health center is a must, a job center is a must, a public library is a must, incubation should be a must. Now that's a hard sell. But I don't think it this is extraordinary, I think it should be ordinary.

In addition to the President of The Enterprise Center, Della Clark, there is a large support staff with a variety of areas of expertise. Among the 16 staff members, there is a Sales Coach, Legal Coach, Financial Manager, Director of Training, Communications Consultant, IT Manager, Concierge, Client Services Manager, Receptionist, and staff members dedicated to the Youth Development Program. At least one staff coach is available on the incubator premises around the clock, 24 hours a day to assist incubator clients. Clark herself is also available much of the time, working until about 7 or 8 PM daily.

Clark's second in charge, Vice President Christopher Raab, was chosen for the highly coveted position because of his entrepreneurial experience. Clark elaborates,

In the sports world if you were on a football or basketball team, you want a coach who has coaching experience. Right? So I didn't even consider the academic world, because I'm a coach and I needed somebody to coach my team. So I needed somebody who had entrepreneurial experience. In the entrepreneurial world, you don't respect somebody unless they've been there before. Right? So if you've never met payroll, how can you tell somebody else how they should meet payroll?

The incubator's operations are also overseen by a 17-member Board of Directors.

Mission and Goals of the Incubator Organization

The Enterprise Center's mission is to develop entrepreneurs, grow businesses and revitalize its West Philadelphia neighborhoods near 46th and Market.

According to the literature offered on the program's website, "The Enterprise Center recruits, trains, and nurtures entrepreneurs and grows start-up companies in urban communities. We believe that the entrepreneurial spirit is the keystone of community growth and revival."

According to one EDA representative, "In the past half century, West Philadelphia did not have the capacity to amass the wealth and capital necessary to create new businesses, to create a restructured diverse economy, and to create new jobs. The Enterprise Center is making progress at addressing those economic problems" (July 2002 Press Release).

The Enterprise Center has also experienced measurable successes in its surrounding community. To this question, Clark replies, "When we started here ten years ago, per capita income was probably \$9,000 and the last census I think per capita income was \$13,000. We don't take all of the credit for that, but we think we've had some impact on it." Even more, the organization is helping to create both new businesses and a new breed of innovative and socially responsible urban leaders (July 2002 Press Release), as all of the incubator graduates have remained in Philadelphia with one or two of them remaining in the immediate West Philadelphia community.

Focus of the Incubator Organization

According to President Della Clark, The Entrepreneurial Center does not define itself in terms of “empowerment” or “mixed use.” She elaborates on her incubator’s focus:

“We rarely refer to it [the incubator] as mixed-use. We don’t define ourselves like that. Because quite frankly, we don’t focus on the business here. You know, I would probably best describe—we’re in the talent business. We look for talent. Because it matters not the business. If you have talent, then, let’s say for instance I’ve got talent that’s selling parts to the airplane industry, but University of Pennsylvania calls me up and has got a million dollars in mulch business—they’re looking for somebody to sell the University a million dollars worth of mulch. If I’ve got somebody that has talent, they recognize an opportunity. They don’t say, ‘Well, I’m not in the mulch business, and I’m not going after that business.’ Right? What we try to do here is produce talent. Talent, then, recognizes opportunity. And if the opportunity makes sense, then they develop a business around that opportunity. If you focus on the business, all the time, that business is a very narrow vision.

Clark believes that incubators should take on the makeup of the surrounding community, and for this reason, she has allowed a small retail store to operate within The Enterprise Center. The Center is does not allow non-profits to have tenancy in

the incubator. As Clark explains, The Enterprise Center is a non-profit entity, and therefore its constituents should be for-profit. She adds however,

In regards to non-profits, we've taken a strong stance on that, and we believe that we are a non-profit and our constituency should be for-profit. Okay?

Now, if there is a nonprofit that makes sense from a mission standpoint that can support our entrepreneurship goals, perhaps we would strongly consider it.

Technical Assistance

The expert full-time staff members of the incubator provide technical assistance to the incubator clients. Additionally, a staff member is present at the incubator facility 24 hours a day, ready to coach business owners in the areas where assistance is required. According to the incubator's literature, "The Enterprise Center takes business incubation to a new level by surrounding companies with a full-time team of business coaches. Our state-of-the-art facility, our ability to bring VIP visitors from the private and public sectors to your office door, and our emphasis on knowledge and networking combine to help you take your business much further, much faster than you may have dreamed."

Incubator Facility

The Enterprise Center first opened its doors in a 7,000 square foot facility in the West Philadelphia community. Today, The Enterprise Center's operations are housed in the nation's first television studio, WFIL-TV, the original former home of

American Bandstand, and a much larger facility that is able to accommodate the organization's growth. Prior to the incubator moving into the facility, it had been abandoned for 17 years. Within one year of moving into its present facility, The Enterprise Center grew from 10 business clients to more than 30. Much of the original building's architecture has been preserved, including the dance studio and media booths where the show was originally taped. The visitor can take a walk back in history as the incubator staff points out the well-preserved original floor that still displays the markings of where each camera was stationed, where the young people danced, the top ten wall, and the star where Dick Clark stood for each broadcast. Use of the hall is available to the clients and community for a reasonable fee.

Currently, the incubator facility offers suites for tenants ranging in size from 110 square feet to 2000 square feet, and monthly charges vary with the size of the space occupied by the business.

The incubator is located in an area designated as a Keystone Opportunity Zone that entitles businesses to exemptions from paying state corporate income taxes, sales taxes, occupancy and use taxes, and other levies and fees that could potentially cost businesses thousands of dollars annually.

Admission to the Incubator Program

The Enterprise Center lists the following among its criteria for entrepreneurs:

- 1) entrepreneur must currently be in business
- 2) venture must have the proven ability to achieve sales of \$100,000 in its first year as a client
- 3) venture has the capacity to

achieve upwards of \$2 to \$3 million in annual sales upon graduation. If an entrepreneur is interested in becoming a client of the incubator, the first step is to submit a completed business plan to The Enterprise Center. If the entrepreneur is accepted as a tenant, he or she may have access to a business suite within the incubator and may pay monthly fees that vary from \$280 to \$1400 depending upon the size of the space. All utilities, services and building amenities are included in these charges.

The Enterprise Center also offers a type of incubator without walls program for emerging businesses if a business owner is not accepted into the program as a tenant. This type of membership, an affiliate member, offers access to all of the incubator's services with the exception of private office space. Affiliate clients pay a flat fee of \$150 per month and receive unlimited coaching services, access to building amenities, and a business phone line.

Incubator Residence Requirements

Quarterly strategic planning sessions are held between the business clients in the incubator, and the staff conducts them. The Enterprise Center is adamant in working on behalf of the client, and it believes that these types of sessions serve as an extension of the company's management team. As a client in the incubator program, business owners are required to participate in these types of planning sessions for the benefit of their businesses.

Graduation Criteria

In order to determine when a business is ready to graduate, The Enterprise Center utilizes progress against benchmarks in areas such as sales, management team capacity, technology deployment and financial management. Clients usually stay in the incubator up to four years before they are ready to graduate. The graduation policy is flexible—it is primarily based on the number of consecutive months with positive cash flow.

Additionally, as the Enterprise Center seeks to re-energize the West Philadelphia community through entrepreneurship, businesses are encouraged to strongly consider West Philadelphia as a long-term business location upon graduation. To date, all 8 of its incubator graduates have remained in the Philadelphia area, with one or two of them planting their businesses in the West Philadelphia area. Clark is proud of the influence that her organization has in encouraging businesses to stay in these areas that desperately need their presence.

Available Services and Resources

The Enterprise Center offers all of the amenities of a typical business incubator program, but it goes several steps further in the provision of nurture and support. In addition to the ample supply of in-house experts that provide 24-hour technical assistance in such critical business disciplines as sales, finance, human resources, technology, and law, the organization provides the following:

- Networks with VIP Community Leaders

- \$1000 Scholarships to Business Development Classes at Wharton SBDC
- Monthly Seminars on Relevant Entrepreneurial Topics
- Business Resource Library
- Information Clearinghouse with Bid and Procurement Opportunities
- Professional Conference and Meeting Rooms
- State-of-the-Art Technology Lab
- Phone Receptionist Service
- Shared Copier, Fax and Postage Equipment

A network of benefits is also made available to clients after the third year of operation in the incubator.

Challenges

According to Della Clark, the first item of the list of her three greatest challenges in incubating businesses in the West Philadelphia is money. Money is necessary to accomplish the goals and objectives of the organization and to grow with its vision. Second, Clark lists as her second challenge that there is not enough time to get things accomplished. She is focusing on how to better control her time as a leader so that she can be an effective resource for her incubator and her community. Finally, Clark lists as her challenge the misconception that people have of quick success. She comments that when she first entered the business 11 years ago, entrepreneurship was not fashionable, but today, it seems to be an area that many people desire to engage in—without a willingness to make the commitment,

perseverance and sacrifice, that it requires. She says that most of the people that come to her to get into the incubator are not ready for this level of commitment.

Best Practices

When asked about her personal list of best practices exercised at The Enterprise Center, Clark chooses “relieving stress and loneliness.” The staff at the incubator works to ensure that the entrepreneur feels like a part of the team, nurtured and supported. Second, she lists “the incubator environment,” explaining that the incubator environment needs to speak to camaraderie and networking. Further, the incubator space (facility) needs to speak “up” rather than being mediocre to give the clients a sense of pride, dignity and self-respect. She elaborates,

If you want to nurture major league talent, your environment needs to speak to that. We tried to do an environment that nurtures camaraderie, networking, we try to give entrepreneurs a very good environment at a neighborhood base level, but also too, I’ve been to a lot of incubators around the country, and oftentimes the incubator developer skimmed on the inside or the way it looks in some cases. Right? In particular when you talk about urban or minority, the space needs to speak up to what you want them to be rather than being mediocre.

Next, among her organization’s best practices, Clark lists “finding the right talent to put together in the incubator environment so that there is joint venturing, buying goods and services together, etc.” Clients within the incubator should at

some level be able to complement each other's needs, and this builds a further sense of camaraderie and community. Finally, Clark considers The Enterprise Center to be a "know-how place" where speakers can lead seminars, talks, etc. Incubators should be resources and outlets where entrepreneurs can come to gain knowledge regarding the growth and development of their enterprises.

Another one of The Enterprise Center's best practices includes the mindset that the expert incubator staff tries not to work with the business—they work with the entrepreneurs. If you can have a direct impact on the entrepreneur's skill set and technical expertise, he or she will directly impact the success of the business enterprise and its employees.

When asked about which components make her incubator program so strong, Clark highlights the fact that The Entrepreneurial Center is unique because first, it focuses on primarily minority entrepreneurs, and very few incubators in this country focus on this market; and second, the organization has a non university-related staff. This second component even outweighs the first, as the securing of a coaching job at The Enterprise Center is a high priority of many professionals. Clark reveals that she receives resumes everyday from individuals who are eager to be a part of the incubation process at her Center.

Advice from the Experts

When Della Clark chose her Vice President, she chose someone who had engaged in his own entrepreneurial pursuits prior to coming to The Enterprise

Center. In her own words, Della wanted a “coach with coaching experience.” She explained that entrepreneurs do not respect someone without entrepreneurial experience—it is a challenge to receive direction from someone who has never been there. She offers this rule of thumb as advice for incubator leaders who are selecting managers for their incubator organizations. Other qualities that leaders should seek out when hiring someone to run an incubator include being a “good traffic cop and a master networker; someone who has a vast network of people; someone who is a great connector.” If someone has the drive and enthusiasm to learn to network effectively, he or she will be more successful than someone with an extensive network and a lack of drive to connect the clients with individuals in the community.

What advice would President Della Clark offer to an organization that wanted to start an incubator in a distressed area that focused on minority business development? “Buy a system from Cities Beyond! It will safeguard them from making the same mistakes that we made.” Clark notes that this will keep other organizations from making the big mistakes that hers made in the beginning. With further prompting, Clark admitted that one of these major mistakes was underestimating what it takes to incubate a client. Another one of the biggest mistakes that people make, according to Clark, is borrowing money to do a facility and start out with debt. “Most incubators open up their facility thinking that they can service debt, and so they borrow money to do the rehab or to the incubator. And that puts them in a [challenging] financial situation from day one.”

This is highly unadvisable in Clark's estimation—she recommends the accumulation of no debt when undertaking such a project. Clark explains that it might take 2-4 years to open an incubator, and much of what needs to be done during this time of planning and organizing is fundraising.

Vision

Clark's vision for the future of the organization could not be clearer, as she has an impressive 3D model of her vision next to her business office at The Enterprise Center. Through The Enterprise Center Community Development Corporation, Della Clark's main emphasis in working with the program, the organization is concentrating on the first phase of a real estate project referred to as Enterprise Heights. This business community is located within one block of the current location of The Enterprise Center. The community is a real estate infrastructure that will be developed "as a means to attract new companies and create an environment with access to capital, technology, training and a new generation of talent." Further, this development will provide an ideal place for businesses that graduate out of the incubator to plant their businesses in the community. The project receives the bulk of Clark's attention, with its \$13 million budget that is required to complete the 84,000 square foot office and retail structure, a six-story building at 46th and Market Streets near the current incubator facility. The finished project, composed of a \$75 million entrepreneurial campus, will contain 500,000 square feet of new and rehabilitated office, retail, green, parking and transit-related space,

featuring three six-story buildings and a fourth three-story building facility. This project will take eight years to complete, and its development will be broken into four phases.

Enterprise Heights is Clark's short-term vision for The Enterprise Center organization. When asked about where she plans to be 10 years from now, she reveals that she is not even looking at ten years from now because she will no longer be with the organization. She will concentrate her efforts on the CDC that is constructing Enterprise Heights for the time being, and upon its completion in the near future, she plans to leave The Enterprise Center altogether.

Appendix 8. Community Incubators in North America

*EmPOWERment, Inc.
109 North Graham Street
Suite 200
Chapel Hill, NC 27516
www.empowerment-inc.org
Contact: Jeff Caiola, Incubator Manager

*FAME Renaissance Center
1968 West Adams
Los Angeles, CA 90018
(323) 730-7700
www.famerenaissance.org
Contact: Linda Smith, Associate Executive Director

Fulton-Carroll Center
2023 West Carroll Avenue
Suite 200
Chicago, IL 60612
(312) 421-3941
www.industrialcouncil.com

*Oregon Association of Minority Entrepreneurs Center
4134 North Vancouver Avenue
Portland, OR 97217
(503) 249-7744
www.oame.org
Contact: Samuel Brooks, President

Pasadena Enterprise Center
1015 North Lake Avenue
Suite 100
Pasadena, CA 91104
(626) 398-9974
www.pec-sbi.org
Contact: Sandy Bourne, Executive Director

*South DeKalb Business Incubator
1599A Memorial Dr. SE
Atlanta, GA 30317
(404) 329-4500
www.sdbusinc.org
Contact: Richard Younge, Jr., Executive Director

Urban Ventures
150 Colfax Street
Providence, RI 02905
(401) 780-8833
www.riedc.com/urban/incubator
Contact: Justin Aina

*West Philadelphia Enterprise Center
4548 Market Street
Philadelphia, PA 19139
(215) 895-4000
www.theenterprisecenter.com
Contact: Della Clark, President

Wisconsin Women's Business Initiative Corporation
2745 N. Dr. Martin Luther King Jr. Drive
Milwaukee, WI 53212
(414) 263-5450
www.wwbic.com
Contact: Thalia Mendez, Director

*indicates incubators visited for this research project

Appendix 9. Entrepreneurial Support for Minorities

American Association of Minority Businesses (AAMB)
P.O. Box 35432
Charlotte, NC 28235
(704) 376-2262
www.website1.com/aamb

Minority Business Development Agency
14th and Constitution Avenue, NW
Room 5055
Washington, DC 20230
(202) 482-5061
www.mbda.gov

National Black Chamber of Commerce (NBCC)
1350 Connecticut Avenue NW
Suite 825
Washington, DC 20036
(202) 466-6888
www.nationalbcc.org

United States Hispanic Chamber of Commerce
2175 K Street NW
Suite 100
Washington, DC 20037
(202) 842-1212
www.usbcc.com

Appendix 10. Resources for Entrepreneurs

Association for Enterprise Opportunity (AEO)
1601 North Kent Street
Arlington, VA 22209
(703) 841-7748
www.microenterpriseworks.org

CAP-Net Virtual Business Incubator
<http://virtualincubate.com/cgi/vbi.cgi>

International Reciprocal Trade Association (IRTA)
175 West Jackson Boulevard
Suite 625
Chicago, IL 60604
(312) 461-0236
www.irta.net

Service Corps of Retired Executives (SCORE)
409 Third Street, SW
4th Floor
Washington, DC 20024
(800) 634-0245
www.score.org

Description: Provides key services, both face-to-face and online, to entrepreneurs, working with the SBA to provide business owners with information vital to their success. Includes counsel on financing options, business planning, marketing strategies, product development and more.

U.S. Patent and Trademark Office
General Information Services Division
Crystal Plaza 3, Room 2C02
Washington, DC 20231
(800) 786-9199
www.uspto.gov

U.S. Small Business Administration (SBA)
409 Third Street SW
Washington, DC 20416
(202) 606-4000
www.sba.gov

Appendix 11. First Contact Form

EMPOWERMENT INCUBATOR
DISSERTATION RESEARCH PROJECT

First Contact Form

Name of Incubator Program: _____

City, State: _____

Time of Contact: _____

Name of Contact Person: _____

Phone Number: _____

1. How long have you been in existence? What year were you founded?
2. Are you a public or private incubator?
3. Would you consider your organization an empowerment incubator?
4. What is the name of the individual who serves as the head of the organization? Is that person available to speak with me?
5. What dates would I be able to come down and meet with you to do research on your incubator?

Appendix 12. Letter of Introduction to Incubator

My name is Shannon Cormier, and I am a Ph.D. graduate student at the University of Texas at Austin. I am currently conducting dissertation research on empowerment incubators whose governing mission is the revitalization and economic development of inner city community neighborhoods. I identified your incubator with the assistance of the National Business Incubator Association, and I would be interested in visiting your facility to conduct some qualitative research on your organization. I would be seeking to accomplish the following objectives:

1. Tour your incubator facility
2. Take photographs of your facility, your workers, and some of your tenants
3. Interview the incubator founder (or someone familiar with its history)
4. Interview the individual that currently runs the incubator
5. Interview the program and education director
6. Interview the capital network administrator
7. Interview the know-how network administrator
8. Interview the community network administrator
9. Interview 3-4 incubator tenants
10. Gain information on the incubator's successes, number of tenants, types of businesses housed, types of businesses graduated, products and services offered, goals for the future, challenges to opening and maintaining an incubator, and any other relevant information

My research is being conducted through the School of Sociology at the University of Texas under the supervision of Dr. John Sibley Butler, Chair of the Herb Kelleher Center for Entrepreneurial Studies in the McCombs School of Business at The University. Any questions for Dr. Butler regarding my research should be directed to his office at (512) 471-4788. I may be reached at (512) 627-4660 or via e-mail at shannoncormier@yahoo.com.

Appendix 13. Interview Questions for Incubator Leaders

Empowerment Incubator
Data Collection Form

Date: _____

Location: _____

Section A: Founder/President

1. How did your relationship with this organization begin?

2. What are your 3 greatest challenges in working with this type of empowerment incubator? (Greatest challenges to the mission and the vision)

3. What type of business, academic or social background is necessary for someone to be successful in the type of position that you occupy to effectively address the needs of inner-city populations?

4. Of all of the practices in which you engage, which would you label as your empowerment incubator's 4 best practices or strategies?

5. What would you say is the strongest component of your program, and why?

6. Where do you see your organization 10 years from now? What new programs, products or services would you like to offer that would lead to even more extensive community development?

-
-
-
7. How long has the organization been in existence?
-
8. How long has the incubator been in existence?
-
9. How long has the business development program been operating?
-
10. Describe (and briefly diagram) your organizational structure (list how many full or part time staff members employed by incubator):
-
-
-
-
-
11. Does your organization entail both for-profit and not-for profit entities? If so, what are they?
-
-
12. Briefly describe both your direct and indirect impact on the community through wealth creation. Please give an example of a success story.
-
-
13. What percent of your participants are minorities?
-
14. What programs do you have in place to address the needs of the special populations around you, particularly the inhabitants of the distressed community, to assist them in the development of business enterprise?
-
-
-
15. How many tenants have come through your formal incubator program? How many do you currently have?
-
-

16. Do you have any successful graduate companies? If so, how long have they been in business independent from the incubator?

17. What advice would you give to an organization that promotes the same vision that you do if they wanted to specifically develop an empowerment business incubator program? Suggestions on how to succeed? Which potential pitfalls should they watch out for?

Section B: Program Director

18. What is the graduation rate from your empowerment business incubator?

19. What is your graduation policy from the incubator (exit criteria)?

20. How flexible is your graduation policy?

21. How long, on average, have clients remained in the program?

22. How many businesses have graduated from the incubator to date?

23. How many of these are still in operation?

24. How long has the current staff been with the program?

25. How much time does the staff spend onsite?

26. Have any of the staff members had any successes of their own?

27. Do staff members actively engage in professional development activities or are they members of a professional/trade association to keep them up to date on the latest incubation best practices?

28. How was your incubator building acquired?

29. What types of services does your incubator offer to tenants (what levels), and what types of services do you offer to non-tenants?

30. How much are these services, and how often is payment made?

31. Which of these levels are in highest demand?

32. Do you find more of a shortfall of tenants to fill the incubator or of space to accommodate all of the tenants you would like to participate in your program?

33. Do you require your incubator tenants to sign any type of incubator tenancy or social contract? Of what do they consist?

34. How often do you offer classes? How much are they? Where are they held?

35. How are these classes marketed to the community (what means)?

36. What is the average number of students in each class offered?

37. What is the dropout rate in these classes, if any?

38. Do you offer any type of sliding scale or scholarship program for low-income participants?

39. If you offer scholarships, how many are available per class or per session, and who finances them?

40. On average, how much does it cost to provide a class for one student? Do the registration costs meet all of the need to training the student?

41. Do you address childcare, transportation, or other special needs, etc. for students?

42. What types of standards or requirements do you have for class attendance and participation? What are the consequences?

43. What percent of the students in the classes are low-income?

44. Who teaches classes, and how are they recruited? Are they compensated in any way?

45. What requirements do you have for your instructors?

46. Who develops the curriculum for the classes?

47. How are mentors and other business professionals active in the program recruited?

48. What percentage of students who take the first level of classroom training go on to the second level of classroom training?

49. How many weeks does each class last?

50. Do you offer workshops? How often? What types of topics? Who arranges them? Do inhabitants of the immediate surrounding community usually attend?

51. What is average attendance at the workshops that you offer?

52. How much do you charge for the workshops? How much does it cost to put on the workshops?

53. What are your 3 major challenges in the area of Admissions?

54. How would you advise one to avoid them?

55. What are your 3 major challenges in the area of Products & Services?

56. How would you advise one to avoid them?

57. What are your 3 major challenges in the area of Curriculum and Resources?

58. How would you advise one to avoid them?

59. What are your 3 major challenges in the area of Marketing and PR?

60. How would you advise one to avoid them?

Section C: Funding Coordinator

61. What are your best recommendations on how to increase business contacts, galvanize corporate sponsors and raise funds?

62. Do you have a dedicated fundraiser? A grant writer?

63. What type of events do you hold to “court” sponsors and potential sponsors?

64. What types of benefits do sponsors receive in exchange for their support?

65. How are most of the companies in your organization funded?

66. How are decisions made regarding who will receive funds? Loan committee?

67. What is the average loan amount for a start-up? For an existing business?

68. What are the major challenges that you face in creating a loan pool, and how did you overcome them?

69. Describe the tools that you use to market the program to inner-city residents in your area:

70. Describe the ways in which you have been able to make this program relevant to the needs of the people in the surrounding community and how this impacts their participation:

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VITA

Shannon Michelle Cormier was born in Los Angeles, California on October 5, 1972, the daughter of Beverly Simmons Cormier Rougeau and Ezekiel Cormier. She was raised in Houston, Texas, completing her work at Jersey Village High School, Houston, Texas in 1990. This same year, she entered The University of Texas at Austin, receiving the Bachelor of Arts Degree from The University in May 1996. During the following years, she was employed by Praise Tabernacle Outreach & Family Worship Center in Austin, Texas. In September 1998, she entered the Graduate School of The University of Texas, where she published “Religious Attendance and Mortality Risk Among African American Adults” (Journal for Research on Aging, November 2000) with her colleagues and completed the Master’s Degree in 2001. Since 2000, she has served as a small business consultant for emerging businesses in Austin, Texas.

Permanent Address: 6015 Dyerbrook Drive, Houston, Texas 77041

This dissertation was typed by the author.